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# welfare incomes 1989

a report by the
national council of welfare

winter 1990-91

Canada

# WELFARE INCOMES 1989

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Copies of this publication may be obtained from:
National Council of Welfare
Jeanne Mance Building
Ottawa K1A 0K9
(613) 957-2961

Également disponible en français sous le titre:
Revenus de bien-être social, 1989


Cat. No. H68-27/1990E
ISBN 0-662-18308-8

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## SUMMARY

The National Council of Welfare published a table of welfare incomes for 1986 in a report entitled Welfare in Canada: The Tangled Safety Net. The current report is an update of welfare incomes for 1989. It also includes one additional household type - a single person with a disability - along with a single employable person, a single-parent family with a child aged two and a two-parent family with two children aged ten and 15.

The incomes presented in this report include basic and special welfare benefits as well as federal child benefits, the federal refundable sales tax credit, and provincial benefits where appropriate. Even with these extra amounts, welfare incomes still fall well below the poverty lines for all four household types in all provinces. What is particularly disturbing is the depth of poverty - that is, the size of the gap between welfare incomes and the poverty lines.

This report also explains and updates the figures on allowable levels of liquid assets and earnings exemptions. The limits on liquid assets have not changed significantly since the publication of The Tangled Safety Net. However, there have been important changes to earnings exemptions as provinces search for measures that encourage recipients to move off welfare and join the paid labour force.

## What is Welfare?

Social assistance or welfare is the income program of last resort in Canada. It provides financial assistance to individuals and families whose resources are inadequate to meet their needs and who have exhausted other avenues of support.

Most welfare in Canada comes under the Canada Assistance Plan, a co-operative venture that allows the cost to be shared equally by the federal government and the provinces and territories. Although people talk about welfare as a single entity, there are really 12 welfare systems in Canada - one in each province and territory. Some would say there are hundreds of welfare systems, because of the leeway allowed to municipalities which run welfare programs in Nova Scotia, Ontario and Manitoba.

Despite the fact that each of the 12 main welfare systems is different, they have many common features. They have complex rules which regulate all aspects of the system, including eligibility for assistance, the rates of assistance, the amounts recipients are allowed to keep from outside earnings, and the way in which applicants and recipients may question decisions regarding their cases.

## Eligibility

Eligibility for welfare is based on some general rules, on a determination of fixed and liquid assets, and on a shortfall in household income as measured by a "needs test."

Applicants must qualify for assistance on the basis of rules which vary widely throughout the country. For example, applicants must be of a certain age (usually between 18 and 65). Full-time students of post-secondary educational institutions may qualify for

assistance only if they meet specified conditions. Single parents must try to secure any court-ordered maintenance support to which they are entitled. Individuals who are disabled require medical certification of their conditions. Strikers are not eligible in most jurisdictions. Immigrants must try to obtain financial assistance from their sponsors.

Applicants must also be eligible for assistance on the basis of their fixed and liquid assets. The value of their assets cannot exceed certain levels. Otherwise, applicants are considered to be self-reliant or potentially self-reliant because they can convert their fixed assets into liquid assets.

Rules vary regarding the treatment of <u>fixed</u> assets. In most provinces, the value of a principal residence and personal effects such as furniture and clothing are considered exempt. Most provinces exempt the value of a car, although some jurisdictions take into consideration factors such as the need for a private vehicle and the availability of public transportation. Property and equipment required for employment are generally considered exempt. In Alberta, however, there is a three-month limit to the exemption after which approval for an extension is required.

In Quebec, the value of personal property cannot exceed $1,500 in the case of an individual and $2,500 in the case of a family under the new Work and Employment Incentives Program. The limits are $2,500 for an individual and $5,000 for a family under the Financial Support Program. In Saskatchewan, personal property with a value of $500 or less does not have to be converted to cash. Yukon may require personal property that is deemed not essential to health, welfare or rehabilitation to be used as collateral for a loan or to be converted into liquid assets.

The limits on <u>liquid</u> assets (cash, bonds, securities that are readily convertible to cash, and the cash value of life insurance)

are shown in Table 1 that begins on the next page. The amounts vary by household size and employability.

All jurisdictions differ with respect to their treatment of assets in trust. Several provinces, including New Brunswick and Saskatchewan, exempt a certain portion of the cash surrender value of life insurance. The City of Halifax (for people 65 and older) and the Province of Ontario (for Family Benefits recipients) exempt designated amounts intended for funeral expenses.

Provinces and territories set their own maximum allowable liquid assets. If they want to qualify for cost-sharing, however, the amounts cannot exceed the maximums set by Ottawa.

The federal maximums on liquid assets are:

* $2,500 for a single person and $3,000 when an individual is aged or disabled.

* $5,000 for a person with one dependent (spouse or child) and $5,500 when the applicant or spouse is aged or disabled.

* an extra $500 for the second and each additional dependent.

* an additional amount where this has been placed in a special fund or trust for purposes that the province considers to be socially important - for example, the education of a child or the purchase of equipment to overcome a disabling condition.

## TABLE 1

## LIQUID ASSET EXEMPTION LEVELS AS OF OCTOBER 1989

| | Unemployable | | | Employable | |
|---|---|---|---|---|---|
| | Single Person | Single Parent One Dependent | Single Disabled | Single Person | Family |
| Newfoundland | $1,500 | $2,500 | $3,000 | $ 40 | $ 100 |
| Prince Edward Island | 200 | 1,200 | 900 | 50 | 50 |
| Nova Scotia | 1,500 | 2,500[1] | 3,000 | Municipalities generally require liquid assets to be expended to meet basic needs. | |
| New Brunswick | 500 | 1,000 | 1,000 | 500 | 1,000 |
| Quebec | **[2] | **[2] | 2,500[2] | 1,500 | 2,500 |
| Ontario | 2,500[3] | 5,000[3] | 3,000[3] | Municipal welfare administrators determine the level of liquid assets a person may have and still be eligible for assistance.<br><br>For a single person, assets equal to 1-2 weeks' assistance may be exempted (or up to 1-3 months' assistance in the case of a temporarily unemployable person). | |

TABLE 1 (Cont'd)

| | Unemployable | | | Employable | |
|---|---|---|---|---|---|
| | Single Person | Single Parent One Dependent | Single Disabled | Single Person | Family |
| | | | | For a family, assets equal to 1-3 months' assistance. | |
| | | | | Maximum exemptions ($2,500 for single and $5,000 for a couple plus $500 per dependent) may apply to households to be transferred to long-term assistance. | |
| Manitoba[4] | $ 400 | $ 800 | $ 400 | Municipalities generally require liquid assets to be expended to meet basic needs. | |
| Saskatchewan | 1,500 | 3,000 | 1,500 | $1,500 | $3,000 |
| Alberta | 1,500 | 2,500 | 3,000[5] | For a single person, $50 cash plus the equivalent of $1,450 in cash assets. For a family, $250 cash plus the equivalent of $2,250 in cash assets. | |
| British Columbia | 500[6] | 1,500 | 2,500 | 160 | 1,500 |

TABLE 1 (Cont'd)

| | Unemployable | | | Employable | |
|---|---|---|---|---|---|
| | Single Person | Single Parent One Dependent | Single Disabled | Single Person | Family |
| Northwest Territories | The value of any assets that should not be converted into cash for sound social or economic reasons (in the director's opinion) is exempt from inclusion as a personal resource. | | | | |
| Yukon | $ 500 | $1,800 | $1,500 | $ 100 | $ 200 |

## NOTES TO TABLE 1

1. An elderly person who is married and lives with a spouse is also allowed $2,500.

2. Under the new system of income security in Quebec, applicants would not be considered unemployable unless they were disabled. Families that qualify under the Financial Support Program get a $5,000 exemption.

3. The director may permit households in receipt of Family Benefits to exceed the maximum exemption level by no more than ten percent. This exception applies only to current beneficiaries and not to applicants.

4. Manitoba has a distinct set of rules pertaining to persons owning or operating farms.

5. This level applies to persons who are severely and permanently disabled as defined under the Assured Income for the Severely Handicapped (AISH) Program.

6. This applies to recipients under age 55. The asset exemption for recipients between the ages of 55 and 59 is $1,500.

The liquid assets permitted by most provinces and territories do not reach the federal maximums. Only Ontario allows applicants to have liquid assets that match federal levels, although Newfoundland, Nova Scotia and Alberta permit the maximum levels for people with disabilities. In fact, the levels in Table 1 are almost identical to the 1986 levels presented in The Tangled Safety Net. This means that provinces had not changed their levels of allowable liquid assets for at least three years. Federal guidelines were last changed in July 1980.

The maximums allowed by Ottawa and the provinces are very low and require individuals to be poor before they are eligible for financial aid. Disabled individuals in particular have expressed concern about the fact that these levels do not allow them to have a small "personal safety net" which they can use in the event of an emergency or special need.

The determination of fixed and liquid assets is part of the needs test. Under this test, the needs of a household for food, clothing, shelter and other essential items are calculated - using criteria for need as determined by provincial and territorial governments. Special needs items, if they are deemed essential to daily living or are required for a regularly recurring need, are generally included in this calculation.

The household income from various sources is identified. Some income, such as family allowances, the federal child tax credit and the federal sales tax credit, is normally considered exempt; it is not calculated as income available for the support of the applicant. Income from other sources such as employment, pensions and unemployment insurance is considered as income fully or partially available for support of the household.

Saskatchewan does not exempt family allowances. Quebec exempts government transfers, including family allowances and the

federal child tax credit, in the calculation of benefits, but takes them into account when setting the rates of assistance.

Total non-exempt income is subtracted from the total needs of the household. Applicants qualify if the household's needs exceed its resources or if there is a budget surplus that is insufficient to meet the cost of a particular special need such as medications or disability-related equipment.

The needs test is the central eligibility criterion required by the assistance provisions of the Canada Assistance Plan. The law authorizes the federal government to share 50 percent of the costs of welfare benefits - but only on behalf of households that qualify on the basis of need.

The needs test has a significant impact upon the shape of the welfare system. The test is fairly "intrusive." Applicants must reveal a significant amount of financial and personal information. A large bureaucracy is required, and individual welfare workers have room to make discretionary judgments.

By contrast, eligibility for other income support programs such as the federal refundable child tax credit and Guaranteed Income Supplement for seniors is determined by an income test. This is a simpler and more objective test based on income alone, not assets or needs. Eligibility for the refundable child tax credit, for example, is based on net family income as reported on income tax returns.

In summary, applicants are eligible for welfare if they qualify on the basis of certain general rules, if their assets fall within the guidelines on fixed and liquid assets, and if their needs exceed the resources available to them.

Rates of Assistance

Every province and territory uses a different method of calculating basic social assistance, which generally includes food, clothing, shelter, utilities, and an allowance for personal and household needs.

Applicants and recipients may be eligible for extra assistance if they have special needs such as medication, prosthetic devices, technical aids and equipment, special clothing or dental care. Assistance may be provided as cash or "in kind" in the form of vouchers, goods or services.

Sometimes applicants require assistance only for a special needs item, because they are able to provide for other basic needs from their own resources. In such a case, the province or territory may grant the specific amount that the particular household requires.

Every province and territory has a list of special needs for which it will provide extra assistance. In some cases, only a portion of the cost of a particular item is paid. For example, the province may reimburse a certain percentage of dental costs, and the recipient is expected to pay the remaining amount.

In Ontario, municipalities may make special assistance available for households that require financial help only for designated special needs. The fact that municipalities in that province are not required to make such assistance available has created hardship for many low-income individuals and families with special needs.

All across Canada, assistance for special needs is granted at the discretion of welfare workers, who determine whether the household qualifies. Discretion is both a strength and weakness

of the welfare system. On the one hand, welfare recognizes the fact that individuals may have on-going or one-time special needs for which they require assistance. On the other hand, a person with special needs may be considered eligible for extra assistance by one welfare worker, but not by another.

Discretion is neither inherently good nor bad. It can be positive in that it allows welfare workers to make a decision on the basis of an individual case and to "bend the rules" where required. At the same time, it can give rise to variable treatment among recipients, even within the same community.

Table 2 presents a national picture of estimated welfare incomes for 1989. The incomes are for the basic needs of four household types: a single employable person, a single disabled person, a single-parent family with one child aged two and a two-parent family with two children aged ten and 15.

These rates must be interpreted with caution. They are estimates of what a particular family or single person might receive in a given province. Because welfare is such a highly individualized program of income support, every recipient is potentially eligible for a different amount of financial assistance.

It is especially important to understand the derivation of the social assistance figures in Column 1. These figures are both maximum and minimum amounts.

They are maximum amounts in that they represent the highest level of welfare that a designated province will provide to a given household unit for its basic living needs. Recipients might actually receive any amount up to and including that maximum level.

At the same time, these figures are minimum amounts in that they do not include any of the special needs assistance to which

a given household may be entitled. Only the "automatic" forms of special assistance - for example, the Christmas allowance in British Columbia or the winter clothing allowance in Yukon - have been included in this table. These extra amounts are indicated in Column 2 and are identified in the accompanying footnotes.

## Basic Social Assistance

Column 1 represents the basic social assistance to which eligible households are entitled. Basic assistance generally includes an amount for food, clothing, shelter, utilities, and personal and household needs.

In order to ensure to the greatest extent possible the comparability of the data, a number of assumptions were made in calculating basic assistance. These assumptions involve the size of a municipal area, two-tier welfare systems, the employability of the recipients, accommodation and rate increases.

### a. largest municipal area

The rates of social assistance are for the largest municipal area in the province or territory. The shelter component of basic assistance may vary by region. Assistance may increase in more remote parts of a province or territory in order to compensate for higher living costs in those areas. For example, a supplementary fuel allowance is granted to recipients in Labrador when the cost of heat is not included in the rent. A northern districts supplement is available under General Welfare Assistance in Ontario. Manitoba and Saskatchewan provide a northern food allowance. The food rates in the Northwest Territories vary by region.

### b. two-tier welfare systems

Nova Scotia, Ontario and Manitoba have two-tier welfare systems. This means that the provincial government assumes responsibility for certain recipients (generally those considered to be unemployable) while municipal governments are responsible for other categories of recipients (generally those considered to be employable).

In Nova Scotia and Manitoba, municipalities set their own levels of assistance. The welfare rates for single employable recipients and two-parent households in Table 2 are for Halifax and Winnipeg. Rates for these households may vary in the other municipalities in these two provinces.

Ontario also has a two-tier welfare system, but municipalities must conform to a standard set of provincial rates for basic welfare assistance. There is wide variation, however, with respect to the provision of special assistance, which is the sole responsibility of Ontario municipalities.

### c. employability of recipients

Short-term rates of assistance (which are generally lower than long-term rates) were assigned to single employable individuals in all jurisdictions. In fact, in some provinces such as British Columbia, single employable persons are eligible for assistance for one month only, after which they must renew their applications. In order to "annualize" the rates presented in Table 2, it was assumed that these people started receiving welfare in January 1989 and remained on assistance throughout the entire year, even though many recipients would not actually have been eligible on such a "long-term" basis.

Single disabled persons, by contrast, generally qualify for long-term rates of assistance. In Ontario, they are eligible for benefits under the Guaranteed Annual Income System for the Disabled (GAINS-D) program. In Alberta, disabled applicants may qualify for benefits under one of two programs - social assistance or Assured Income for the Severely Handicapped (AISH). The rates in Table 2 are for the social assistance program, although the corresponding rate of assistance for persons with severe and permanent disabilities is indicated in the accompanying footnotes.

In most cases, the single-parent family was assigned higher rates of assistance. It was generally presumed that this family was unemployable because of the young age of the child (two years). However, classification of the single-parent family actually varies throughout the country, and this variation is reflected in the calculations in Table 2.

In January 1989, Saskatchewan introduced a measure declaring that single employable parents are not required to seek employment or take training if they choose to remain at home to care for a child under one year of age. These parents are considered to be temporarily unemployable and are not referred to jobs or training unless they request it.

In Alberta, single parents with one child over the age of four months are considered able to work. As a result, they receive lower rates of assistance for the first three months than if they were classified as unemployable.

Single parents in New Brunswick and Quebec receive the benefits paid under the employability enhancement programs in these provinces - the Upgrading, Training and Placement Program and the Work and Employment Incentives Program, respectively. The employability enhancement programs provide lower rates of assistance than long-term welfare programs.

Finally, the two-parent family with two children was considered to be employable for the purposes of these calculations. If, for some reason, the family was unemployable (for example, the family head was disabled), it would be eligible for higher rates of assistance.

## d. accommodation

Table 2 considers welfare recipients to be renters rather than homeowners. It also assumes that there was no sharing of accommodation. In some provinces, such as Quebec and Ontario, rates of assistance are reduced when unrelated individuals share housing. Under the Work and Employment Incentives Program for employable persons recently introduced in Quebec, for example, the monthly assistance cheques of two households sharing accommodation are reduced by $89 each.

Where shelter allowances do not include the cost of utilities, the latter were added to the shelter rates. Maximum allowable shelter rates were employed for all jurisdictions. A problem arose while trying to do calculations for the Northwest Territories, because there is no maximum rate scale for shelter. Actual rents are paid and these vary widely in the North. As a result, no rates of assistance are provided for the Northwest Territories in Table 2 because a maximum amount would not necessarily be representative of what most individuals actually receive.

## e. rate increases

This analysis looks at welfare incomes for 1989. Because rate increases take effect at varying times in different provinces (and sometimes not at all), we decided to calculate welfare incomes on the basis of one complete calendar year. Increases made throughout

the course of 1989 were incorporated at the appropriate times. The accompanying footnotes identify when the rate changes were made.

For example, rates in Prince Edward Island were increased on April 1, 1989, as well as on July 1 of that year. Benefits were changed in Quebec as of August 1, 1989, as a result of the implementation of new income security legislation. The figures for Quebec are based on the former system of social aid from January 1 through July 31, 1989, and upon the new system of income security from August 1 through December 31, 1989. The increases which took effect in Ontario on October 1, 1989, as part of a package of reforms announced by the provincial government in response to the recommendations of the Transitions report, were included as well.

Nova Scotia, Saskatchewan and Alberta did not increase their rates of assistance in 1989, but Nova Scotia had a general increase in December 1988.

## Special Assistance

Two kinds of assistance may be provided for special needs. First, there are regularly recurring needs within certain groups, such as people with disabilities. Second, there are "one-time" special needs which are determined case by case. One-time special needs include such items as funeral expenses, moving costs or emergency home repairs.

Decisions to provide either type of special assistance are made by individual welfare workers. In some cases, approval is required from an administrator, director or designated professional such as a doctor.

Because it is impossible to know whether individuals actually receive special assistance and because the amount and type of help

they do receive vary by individual, these extra amounts have not generally been included in the calculation of estimated welfare income.

Special assistance has been incorporated in Column 2 of Table 2 only when it is "automatically" provided to certain recipients. Examples of special assistance include: extra assistance for disabled persons in Newfoundland and Prince Edward Island; a clothing allowance for families with children in Ontario; and a lump-sum Christmas allowance and newly introduced winter clothing allowance for all recipients in Yukon. The accompanying footnotes explain the nature of the special assistance item in each jurisdiction.

## Family Allowances

Federal family allowances are indicated in Column 3. These are standard throughout the country except in Alberta, which varies the amount of the allowance according to the age of the child, and in Quebec, which varies the allowance on the basis of family size and age. In addition to the federal allowance, Quebec provides a supplementary family allowance. This amount is incorporated in the calculations for child-related benefits in Column 5.

Provinces normally consider family allowances as exempt income in the calculation of welfare benefits. The only exception to this practice is Saskatchewan, which deducts the value of family allowances from welfare payments. The province claims that its family rates are comparable to other provinces, because family allowances are taken into account in the setting of welfare rates. The rates of assistance presented in Column 1 for the two households with children have been reduced by the appropriate amount of family allowance for Saskatchewan.

## Child Tax Credit

The federal refundable child tax credit is indicated in Column 4. The credit goes to families of low and middle incomes with children under 18. Families with very low incomes get a prepayment of the credit each year before Christmas and the rest when they file their income tax returns in the spring.

The figures in Column 4 consist of the portion of the 1988 credit that was received after tax returns were filed in the spring of 1989 plus the prepayment of the 1989 tax credit received late in 1989.

The calculation includes the supplement to the child tax credit for low-income families with children under the age of seven which do not have receipted child care expenses.

## Child-Related Benefits

Child-related benefits refer to additional benefits that some provinces provide to low-income families with dependent children. Quebec provides a family allowance over and above the federal family allowance. Quebec also makes available a special allowance to families with very young children that do not deduct child care expenses from their income taxes. The Allowance for Young Children has replaced the Availability Allowance.

Under the Child-Related Income Support Program (CRISP), Manitoba provides a non-taxable benefit of $30 a month per child to families whose net income falls below $11,817. There are also asset limits for qualification. For the single-parent family on provincial welfare, the CRISP benefit has been included in the rates of assistance. For the two-parent family on municipal welfare, it is indicated separately as a child-related benefit.

The Family Income Plan (FIP) in Saskatchewan provides non-taxable cash assistance for eligible families with dependent children under 18 years of age. Maximum benefits are $100 a month for each of the first three children and $90 a month for the fourth and subsequent children. This amount is not presented as a separate entry in Column 5 because the province includes it in the rates of assistance for families on welfare.

## Sales Tax Credit

The federal refundable sales tax credit is indicated in Column 6. The 1988 value of the credit has been used in these calculations because this is the amount that individuals and families would have actually received when they filed their income tax returns in 1989. The credit was worth $70 per adult and $35 per child.

## Provincial Tax Credits

The tax credits in this table now are limited to the Sales and Property Tax Credits in Ontario. Welfare recipients in Quebec are no longer eligible for the Real Estate Tax Refund. The Alberta Renter Assistance Credit that was included in The Tangled Safety Net calculations no longer exists. The Assistance for the Reduction of Rental Costs in New Brunswick is indicated as an additional benefit rather than a tax credit.

TABLE 2

ESTIMATED WELFARE INCOME, BY TYPE OF HOUSEHOLD AND PROVINCE, 1989

| | Basic Social Assistance | Additional Benefits | Family Allowances | Child Tax Credit[1] | Child-Related Benefits | Federal Sales Tax Credit | Provincial Tax Credits | Total Welfare Income |
|---|---|---|---|---|---|---|---|---|
| **NEWFOUNDLAND**[2] | | | | | | | | |
| Single Employable[3] | 3,726 | | | | | 70 | | 3,796 |
| Disabled Person | 6,006 | 1,500[4] | | | | 70 | | 7,576 |
| Single Parent, One Child | 9,486 | | 393 | 694 | | 105 | | 10,678 |
| Couple, Two Children | 10,974 | | 786 | 1,122 | | 210 | | 13,092 |
| **PRINCE EDWARD ISLAND**[5] | | | | | | | | |
| Single Employable[6,7] | 6,942 | | | | | 70 | | 7,012 |
| Disabled Person | 6,999 | 1,080[8] | | | | 70 | | 8,149 |
| Single Parent, One Child | 9,570 | | 393 | 694 | | 105 | | 10,762 |
| Couple, Two Children[7] | 14,079 | 175[9] | 786 | 1,122 | | 210 | | 16,372 |
| **NOVA SCOTIA** | | | | | | | | |
| Single Employable[10] | 5,880 | | | | | 70 | | 5,950 |
| Disabled Person | 7,740[11] | | | | | 70 | | 7,810 |
| Single Parent, One Child | 9,408[11] | | 393 | 694 | | 105 | | 10,600 |
| Couple, Two Children[10] | 11,928 | 40[12] | 786 | 1,122 | | 210 | | 14,086 |
| **NEW BRUNSWICK**[13] | | | | | | | | |
| Single Employable[14] | 2,812 | | | | | 70 | | 2,882 |
| Disabled Person | 5,568 | 1,800[15] | | | | 70 | | 7,438 |
| Single Parent, One Child | 7,624 | | 393 | 694 | | 105 | | 8,816 |
| Couple, Two Children | 8,248 | | 786 | 1,122 | | 210 | | 10,366 |

TABLE 2 (Continued)

| | Basic Social Assistance | Additional Benefits | Family Allowances | Child Tax Credit[1] | Child-Related Benefits | Federal Sales Tax Credit | Provincial Tax Credits | Total Welfare Income |
|---|---|---|---|---|---|---|---|---|
| **QUEBEC**[16,17] | | | | | | | | |
| Single Employable | 4,085 | | | | | 70 | | 4,155 |
| Disabled Person | 6,319 | | | | | 70 | | 6,389 |
| Single Parent, One Child | 8,583 | | 251[18] | 694 | 212[19] | 105 | | 9,845 |
| Couple, Two Children | 11,977 | 139[20] | 722[18] | 1,122 | 261[21] | 210 | | 14,431 |
| **ONTARIO**[22] | | | | | | | | |
| Single Employable | 5,892 | | | | | 70 | 383[23] | 6,345 |
| Disabled Person | 8,736 | | | | | 70 | 383[23] | 9,189 |
| Single Parent, One Child | 10,806 | 89[24] | 393 | 694 | | 105 | 452[23] | 12,539 |
| Couple, Two Children | 13,401 | 343[25] | 786 | 1,122 | | 210 | 616[23] | 16,478 |
| **MANITOBA** | | | | | | | | |
| Single Employable[26,27] | 5,320 | 12[28] | | | | 70 | | 5,402 |
| Disabled Person | 5,720 | | | | | 70 | | 5,790 |
| Single Parent, One Child[27,29] | 7,887 | | 393 | 694 | **[30] | 105 | | 9,079 |
| Couple, Two Children[26,27] | 13,283 | 34[28] | 786 | 1,122 | 720[30] | 210 | | 16,155 |
| **SASKATCHEWAN** | | | | | | | | |
| Single Employable | 4,860 | | | | | 70 | | 4,930 |
| Disabled Person | 7,620 | 300[31] | | | | 70 | | 7,990 |
| Single Parent, One Child | 9,927[32] | | 393 | 694 | **[34] | 105 | | 11,119 |
| Couple, Two Children | 13,614[32] | 160[33] | 786 | 1,122 | **[34] | 210 | | 15,892 |

TABLE 2 (Continued)

| | Basic Social Assistance | Additional Benefits | Family Allowances | Child Tax Credit[1] | Child-Related Benefits | Federal Sales Tax Credit | Provincial Tax Credits | Total Welfare Income |
|---|---|---|---|---|---|---|---|---|
| **ALBERTA** | | | | | | | | |
| Single Employable[35] | 4,803 | | | | | 70 | | 4,873 |
| Disabled Person | 5,940[36] | | | | | 70 | | 6,010 |
| Single Parent, One Child[37] | 9,006 | | 310[38] | 694 | | 105 | | 10,115 |
| Couple, Two Children[35] | 13,269 | | 870[38] | 1,122 | | 210 | | 15,471 |
| **BRITISH COLUMBIA**[39] | | | | | | | | |
| Single Employable | 5,388 | 28[40] | | | | 70 | | 5,486 |
| Disabled Person | 7,446 | 28[40] | | | | 70 | | 7,544 |
| Single Parent, One Child | 9,714 | 70[40] | 393 | 694 | | 105 | | 10,976 |
| Couple, Two Children | 12,072 | 148[41] | 786 | 1,122 | | 210 | | 14,338 |
| **YUKON**[42] | | | | | | | | |
| Single Employable | 6,926 | 155[43] | | | | 70 | | 7,151 |
| Disabled Person | 6,926 | 995[44] | | | | 70 | | 7,991 |
| Single Parent, One Child | 11,132 | 548[43] | 393 | 694 | | 105 | | 12,872 |
| Couple, Two Children | 17,000 | 570[43] | 786 | 1,122 | | 210 | | 19,688 |
| **NORTHWEST TERRITORIES**[45] | | | | | | | | |

## NOTES TO TABLE 2

1. Families with very low incomes get the child tax credit for a given tax year in two installments: a prepayment before Christmas and the balance when they file their income tax returns. The figures in the table represent amounts actually received during the calendar year 1989. The single-parent family received $184 in the spring and $510 in December, including a supplement for a child under age seven in lieu of receipted child care expenses. The couple with children aged ten and 15 received $368 in the spring and $754 in December.

2. Rate changes which took effect on July 1, 1989, were incorporated in these figures.

3. These rates apply to single able-bodied persons under age 50. Rates of assistance to persons over 50 are higher.

4. This is the disability allowance of $125 a month. It is paid only to individuals who are severely disabled and who require supportive services to aid independent living.

5. Rate changes which took effect on April 1 and July 1, 1989, were incorporated in these figures.

6. As a general rule, the assistance to single persons appears to be relatively generous because the shelter allowance for singles is higher than that provided in other provinces ($435 a month). Single persons are generally encouraged (required) to find room and board accommodation and are paid a correspondingly lower allowance.

7. Recipients receive a clothing allowance starting in the fourth month on assistance.

8. This is the special care allowance of $40 a month intended to help pay for the special needs arising from a disability and the personal comfort allowance of $50 a month for items of personal care. In addition, rents may be increased for accessibility purposes.

9. This school allowance is granted once a year. It was increased on August 1, 1989, to $75 for children between the ages of six and 11 and to $100 for children aged 12 and over.

10. These are the rates of assistance for Halifax.

11. Family benefits recipients are automatically eligible for a $17-a-month transportation allowance, which has been built into these rates.

12. An annual amount of $20 per child may be granted for the purchase of school supplies.

13. Rate changes which took effect on September 1, 1989, were incorporated in these figures.

14. This is the amount of interim assistance provided to an employable single person. If that individual has been placed in the Upgrading, Training and Placement Program, benefits would be higher ($431 a month as of September 1, 1989).

15. This is the Assistance for the Reduction of Rental Costs available for low-income elderly or disabled persons.

16. The figures for Quebec include the rates provided under the former system of social aid from January 1 to July 31, 1989, as well as the new system of income security from August 1 to December 31, 1989. The single person with a disability was placed on the Financial Support Program while the single employable person, single-parent family and two-parent family were classified in the "participating" category of the Work and Employment Incentives Program. In the latter case, both parents were considered to be "participating." Rates of assistance for the three households in the Work and Employment Incentives Program would have been lower had they been classified within the availability, non-availability or non-participating scales.

17. The rates of assistance incorporate compensation for the loss of the Real Estate Tax Refund and for the imposition of a sales tax on heating oil and natural gas.

18. Quebec varies the amount of the federal family allowances. The province has its own system of family allowances as well; these are included under "child-related benefits."

19. This is the combined amount of the Quebec family allowances and the Allowance for Young Children. The latter replaced the Availability Allowance.

20. This is the school expense allowance of $46 for each dependent attending primary school and $93 for each dependent in secondary school.

21. This is the amount of the Quebec family allowance.

22. Rate changes which took effect on October 1, 1989, have been incorporated in these figures. All rates indicated here include the maximum amount of shelter subsidy. While Ontario is one of the three provinces with a two-tier welfare system, it is the only two-tier province in which basic assistance rates are standard. The provision of special assistance, by contrast, varies widely by municipality.

23. This represents the combined amounts of the Ontario Sales Tax and Property Tax Credits. The Property Tax Credit was calculated on the basis of the following shelter costs: $327.75 for a single person, $515.15 for the single-parent family and $564.25 for the two-parent family; these correspond to the shelter costs at which the maximum allowable shelter subsidy is provided by the province.

24. This is the winter clothing allowance. A lump sum amount of $89 per dependent is paid in October for FBA recipients and in November for GWA recipients.

25. This is the winter clothing allowance and the annual back-to-school allowance of $108 for each child 13 and over and $57 for each child under 13.

26. These are the rates for Winnipeg. Rates of assistance for the single employable person and two-parent family incorporate increases that took effect on April 1 and October 1, 1989.

27. The clothing allowance for employable recipients is not provided until the fifth week on assistance.

28. Winnipeg provides a Christmas allowance of $12.23 per single person or family head and $7.41 for each other family member. Figures in the table were rounded to the nearest dollar.

29. Prior to January 1, 1990, single parents in Manitoba had to apply for municipal assistance before going onto the provincial system. The rates indicated here have been calculated on the basis of municipal (Winnipeg) assistance for three months and provincial assistance for nine months.

30. Low-income families with children are eligible for a supplement under the Child-Related Income Support Program (CRISP). For the single-parent family on provincial assistance, the amount is already included in basic social assistance. For the two-parent family assisted by the City of Winnipeg, it is listed separately as a child-related benefit.

31. This represents the $25 a month special care allowance granted to disabled recipients to pay for tasks they are unable to perform.

32. The rates of assistance indicated here have been reduced by the amount of the federal family allowance. Saskatchewan is the only province which explicitly deducts the value of the federal family allowance from welfare rates.

33. This represents an amount for education-related expenses: $100 for children aged 14 and over and $60 for children between the ages of six and 13.

34. Low-income families are eligible for supplementation under the Family Income Plan (FIP). These benefits are already incorporated within the welfare rates indicated here.

35. Employable individuals in Alberta are not eligible for a clothing or household allowance (except as a special need) until they have been in receipt of assistance for at least three consecutive months.

36. An individual with a severe and permanent disability who qualified under the Assured Income for the Severely Handicapped (AISH) Program would have received $8,640 in 1989.

37. Single parents with one child over the age of four months are considered employable in Alberta.

38. Alberta varies the amounts of the federal family allowances according to the age of the child.

39. Rates of assistance presented here incorporate increases which took effect on July 1, 1989.

40. This is the amount of the Christmas allowance.

41. This figure represents the combined amounts of the Christmas allowance and school start-up fees.

42. Rates include increases that were introduced on November 1, 1989.

43. This represents the combined amounts of the Christmas allowance and the winter clothing allowance (both of which are payable once a year).

44. In addition to the Christmas allowance and winter clothing allowance, disabled recipients are eligible for a supplementary allowance of $70 a month.

45. The Northwest Territories are not included in this table because it was not possible to obtain average cost estimates for shelter rates in Yellowknife. Actual rents, heating and utilities are paid. Rates for other basic needs are determined according to categories which reflect diverse food costs in the North. Allowances in these categories ranged from $177 to $296 a month for a single employable person, $302 to $421 for a single disabled person, $311 to $528 for a single parent with one young child, and $544 to $926 for a couple with two children.

## Adequacy of Rates

Table 3 compares the welfare incomes in Table 2 with the low income cut-offs of Statistics Canada. It makes it clear that welfare rates in most provinces were grossly inadequate in 1989.

The National Council of Welfare uses the low income cut-offs as its measure of poverty. They represent levels of gross or pre-tax income where households have to spend a disproportionate amount of their incomes (58.5 percent or more) on the necessities of life.

Some governments argue that the cut-offs are an imperfect measure of poverty when it comes to welfare incomes, because social assistance payments are not taxable. A family with $17,000 in welfare income might be in the same relative financial position as a working poor family with $20,000 in earned income which has to pay federal and provincial income taxes, contributions to the Canada or Quebec Pension Plan and unemployment insurance premiums.

On the other hand, it is clear from Table 3 that these distinctions are largely academic. Most welfare households have incomes that do not even begin to approach the poverty line.

At the present time, there are two sets of low income cut-offs in active use. One set is commonly known as the 1978 base lines, because it is based on consumer spending patterns that were surveyed in 1978. The second set is known as the 1986 base lines and is based on spending surveyed in 1986.

Column 1 of the table shows welfare incomes for different types of households in the ten provinces in 1989. Neither of the territories is included in this table because they are specifically excluded from the surveys used to generate the cut-offs.

Column 2 indicates the 1978 base poverty lines. Although the National Council of Welfare considers these lines out of date, they are presented here to allow comparisons with the poverty lines used in The Tangled Safety Net. The poverty gap - or difference between total income and the poverty lines (1978 base) - is indicated in Column 3. Column 4 represents total welfare income as a percentage of the poverty line (that is, welfare income divided by the poverty line).

The poverty lines in Column 5 are the 1986 base lines. They are somewhat higher than the 1978 base lines, but they are a more accurate measure of poverty. Columns 6 and 7 show the poverty gap and welfare income as a percentage of the poverty lines using the 1986 base low income cut-offs.

Welfare incomes for single employable people were by far the least adequate, ranging from 24 percent to 66 percent of the poverty line (or 25 percent and 70 percent using the 1978 base). Benefits for single disabled people fell between 43 percent and 77 percent of the poverty line (48 percent and 81 percent using the 1978 base).

Welfare incomes for single-parent families ranged from a low of 50 percent to a high of 75 percent of the poverty line (57 percent and 82 percent using the 1978 base). Finally, the incomes of two-parent families with two children fell between 44 percent and 78 percent of the poverty line (44 percent and 80 percent using the 1978 base).

On the whole, the adequacy of benefits has not improved significantly since the calculation of rates in The Tangled Safety Net.

## TABLE 3

## ADEQUACY OF BENEFITS, 1989

| | Total Welfare Income | Poverty Line (1978 base) | Poverty Gap | Total Welfare Income as % of Poverty Line (1978 base) | Poverty Line (1986 base) | Poverty Gap | Total Welfare Income as % of Poverty Line (1986 base) |
|---|---|---|---|---|---|---|---|
| **NEWFOUNDLAND** | | | | | | | |
| Single Employable | 3,796 | 11,536 | -7,740 | 33% | 11,866 | -8,070 | 32% |
| Disabled Person | 7,576 | 11,536 | -3,960 | 66 | 11,866 | -4,290 | 64 |
| Single Parent, One Child | 10,678 | 15,211 | -4,533 | 70 | 16,086 | -5,408 | 66 |
| Couple, Two Children | 13,092 | 23,479 | -10,387 | 56 | 23,539 | -10,447 | 56 |
| **PRINCE EDWARD ISLAND** | | | | | | | |
| Single Employable | 7,012 | 10,005 | -2,993 | 70 | 10,567 | -3,555 | 66 |
| Disabled Person | 8,149 | 10,005 | -1,856 | 81 | 10,567 | -2,418 | 77 |
| Single Parent, One Child | 10,762 | 13,167 | -2,405 | 82 | 14,324 | -3,562 | 75 |
| Couple, Two Children | 16,372 | 20,416 | -4,044 | 80 | 20,962 | -4,590 | 78 |
| **NOVA SCOTIA** | | | | | | | |
| Single Employable | 5,950 | 11,536 | -5,586 | 52 | 11,866 | -5,916 | 50 |
| Disabled Person | 7,810 | 11,536 | -3,726 | 68 | 11,866 | -4,056 | 66 |
| Single Parent, One Child | 10,600 | 15,211 | -4,611 | 70 | 16,086 | -5,486 | 66 |
| Couple, Two Children | 14,086 | 23,479 | -9,393 | 60 | 23,539 | -9,453 | 60 |
| **NEW BRUNSWICK** | | | | | | | |
| Single Employable | 2,882 | 11,536 | -8,654 | 25 | 11,866 | -8,984 | 24 |
| Disabled Person | 7,438 | 11,536 | -4,098 | 64 | 11,866 | -4,428 | 63 |
| Single Parent, One Child | 8,816 | 15,211 | -6,395 | 58 | 16,086 | -7,270 | 55 |
| Couple, Two Children | 10,366 | 23,479 | -13,113 | 44 | 23,539 | -13,173 | 44 |

TABLE 3 (Cont'd)

| | Total Welfare Income | Poverty Line (1978 base) | Poverty Gap | Total Welfare Income as % of Poverty Line (1978 base) | Poverty Line (1986 base) | Poverty Gap | Total Welfare Income as % of Poverty Line (1986 base) |
|---|---|---|---|---|---|---|---|
| **QUEBEC** | | | | | | | |
| Single Employable | 4,155 | 12,147 | -7,992 | 34% | 13,510 | -9,355 | 31% |
| Disabled Person | 6,389 | 12,147 | -5,758 | 53 | 13,510 | -7,121 | 47 |
| Single Parent, One Child | 9,845 | 16,026 | -6,181 | 61 | 18,313 | -8,468 | 54 |
| Couple, Two Children | 14,431 | 24,704 | -10,273 | 58 | 26,801 | -12,370 | 54 |
| **ONTARIO** | | | | | | | |
| Single Employable | 6,345 | 12,147 | -5,802 | 52 | 13,510 | -7,165 | 47 |
| Disabled Person | 9,189 | 12,147 | -2,958 | 76 | 13,510 | -4,321 | 68 |
| Single Parent, One Child | 12,539 | 16,026 | -3,487 | 78 | 18,313 | -5,774 | 68 |
| Couple, Two Children | 16,478 | 24,704 | -8,226 | 67 | 26,801 | -10,323 | 61 |
| **MANITOBA** | | | | | | | |
| Single Employable | 5,402 | 12,147 | -6,745 | 44 | 13,510 | -8,108 | 40 |
| Disabled Person | 5,790 | 12,147 | -6,357 | 48 | 13,510 | -7,720 | 43 |
| Single Parent, One Child | 9,079 | 16,026 | -6,947 | 57 | 18,313 | -9,234 | 50 |
| Couple, Two Children | 16,155 | 24,704 | -8,549 | 65 | 26,801 | -10,646 | 60 |
| **SASKATCHEWAN** | | | | | | | |
| Single Employable | 4,930 | 11,536 | -6,606 | 43 | 11,866 | -6,936 | 42 |
| Disabled Person | 7,990 | 11,536 | -3,546 | 69 | 11,866 | -3,876 | 67 |
| Single Parent, One Child | 11,119 | 15,211 | -4,092 | 73 | 16,086 | -4,967 | 69 |
| Couple, Two Children | 15,892 | 23,479 | -7,587 | 68 | 23,539 | -7,647 | 68 |

TABLE 3 (Cont'd)

| | Total Welfare Income | Poverty Line (1978 base) | Poverty Gap | Total Welfare Income as % of Poverty Line (1978 base) | Poverty Line (1986 base) | Poverty Gap | Total Welfare Income as % of Poverty Line (1986 base) |
|---|---|---|---|---|---|---|---|
| **ALBERTA** | | | | | | | |
| Single Employable | 4,873 | 12,147 | -7,274 | 40% | 13,510 | -8,637 | 36% |
| Disabled Person | 6,010 | 12,147 | -6,137 | 49 | 13,510 | -7,500 | 44 |
| Single Parent, One Child | 10,115 | 16,026 | -5,911 | 63 | 18,313 | -8,198 | 55 |
| Couple, Two Children | 15,471 | 24,704 | -9,233 | 63 | 26,801 | -11,330 | 58 |
| **BRITISH COLUMBIA** | | | | | | | |
| Single Employable | 5,486 | 12,147 | -6,661 | 45% | 13,510 | -8,024 | 41% |
| Disabled Person | 7,544 | 12,147 | -4,603 | 62 | 13,510 | -5,966 | 56 |
| Single Parent, One Child | 10,976 | 16,026 | -5,050 | 68 | 18,313 | -7,337 | 60 |
| Couple, Two Children | 14,338 | 24,704 | -10,366 | 58 | 26,801 | -12,463 | 53 |

The inadequacy of welfare rates is compounded by the fact that benefits are not regularly adjusted for increases in the cost of living. Prior to its reform of the income security system, Quebec used to index its welfare rates every January. Under the new system of income security, it is uncertain whether Quebec will index its rates for all recipients. There are no statutory indexation provisions for the Work and Employment Incentives Program intended for employable recipients (although the province may decide to make ad hoc increases and already did on January 1, 1990). The benefits provided to unemployable recipients under the Financial Support Program will continue to be indexed.

Nova Scotia used to adjust its benefits in June and December of every year, but only for recipients of long-term assistance (Family Benefits recipients). Nova Scotia has recently removed the statutory obligations to index benefits. These will now be subject only to regular review and will be adjusted on a discretionary basis, by an amount determined by the provincial cabinet.

It is important to recognize that most provinces have increased their rates of assistance. The problem lies in the fact that provinces are not required to do so. Prince Edward Island, for example, has been approving increases in welfare rates equal to the increases in the cost of living. However, the changes are at the discretion of the provincial cabinet and are not guaranteed by law.

There have been improvements in some rates. For example, the welfare income of single employable persons in Quebec has gone from 23 percent of the poverty line in 1986 to 34 percent in 1989 (calculations based on the 1978 poverty lines). This improvement was due primarily to the new system of income security which was implemented in August 1989. The reform eliminated the former age-based disparity in which single employable persons under age

30 received considerably less than single employable persons over 30 ($195 a month and $517 a month, respectively, in January 1989).

While Quebec's increase is a positive step, the question as to whether there has been real improvement is almost academic. The absolute income of single employable recipients has increased, but the depth of their poverty remains profound. They still fall well below the poverty lines, and they now are exceptionally poor rather than exceedingly poor. In fact, many of the recipients under age 30 may have lost their benefits altogether because of the parental contribution and shared accommodation provisions introduced through income security reform.

In general, an overly technical analysis with respect to marginal improvements in the poverty gap and slight improvements in welfare income as a percentage of the poverty line may actually detract from the key point made evident by Table 3: Welfare incomes fall well below poverty lines for all family types in all provinces.

## Welfare and Average Incomes

The inadequacy of the financial support provided by social assistance is also evident when measured against average incomes. Welfare provides only a small part of the income that most Canadians would consider normal or reasonable.

Table 4 on the next page compares the welfare incomes of our four typical households with average incomes for the appropriate household type in each province.

The averages are 1989 estimates by the National Council of Welfare based on data collected by Statistics Canada in the 1988 Survey of Consumer Finances. For the single employable person and the single disabled person, we used average incomes in each province for unattached people under the age of 65. For single parents, we used the average incomes of female single parents with one child, the same family type used in our other tables. Unfortunately, the size of the sample was too small to be reliable in all provinces except New Brunswick, Quebec, Ontario and Alberta. For the two-parent family, we used the average incomes of all couples with two children. In Prince Edward Island, the sample size for this family was too small to use.

Table 4 makes it clear that welfare incomes are far below average. A single employable person on welfare received from 17 percent to 42 percent of the average income received by single people under 65. The disabled person on welfare got 27 to 49 percent of the average. The partial information on single parents shows that they had 50 to 60 percent of the average income of all single-parent mothers with one child. The two-parent family on welfare had between 24 and 34 percent of average incomes.

TABLE 4

WELFARE INCOMES AS PERCENTAGE OF AVERAGE INCOMES, BY FAMILY TYPE AND PROVINCE, 1989

| | Welfare Income | Estimated Average Income | Welfare Income as Percentage of Estimated Average Income |
|---|---|---|---|
| **NEWFOUNDLAND** | | | |
| Single Employable | 3,796 | 18,581 | 20% |
| Disabled Person | 7,576 | 18,581 | 41 |
| Single Parent, One Child | 10,678 | - | - |
| Couple, Two Children | 13,092 | 40,573 | 32 |
| **PRINCE EDWARD ISLAND** | | | |
| Single Employable | 7,012 | 16,515 | 42 |
| Disabled Person | 8,149 | 16,515 | 49 |
| Single Parent, One Child | 10,762 | - | - |
| Couple, Two Children | 16,372 | - | - |
| **NOVA SCOTIA** | | | |
| Single Employable | 5,950 | 19,487 | 31 |
| Disabled Person | 7,810 | 19,487 | 40 |
| Single Parent, One Child | 10,600 | - | - |
| Couple, Two Children | 14,086 | 46,788 | 30 |

Table 4 (Cont'd)

| | Welfare Income | Estimated Average Income | Welfare Income as Percentage of Estimated Average Income |
|---|---|---|---|
| **NEW BRUNSWICK** | | | |
| Single Employable | 2,882 | 16,498 | 17% |
| Disabled Person | 7,438 | 16,498 | 45 |
| Single Parent, One Child | 8,816 | 14,768 | 60 |
| Couple, Two Children | 10,366 | 42,967 | 24 |
| **QUEBEC** | | | |
| Single Employable | 4,155 | 20,797 | 20 |
| Disabled Person | 6,389 | 20,797 | 31 |
| Single Parent, One Child | 9,845 | 19,484 | 51 |
| Couple, Two Children | 14,431 | 49,954 | 29 |
| **ONTARIO** | | | |
| Single Employable | 6,345 | 25,100 | 25 |
| Disabled Person | 9,189 | 25,100 | 37 |
| Single Parent, One Child | 12,539 | 24,711 | 51 |
| Couple, Two Children | 16,478 | 58,206 | 28 |
| **MANITOBA** | | | |
| Single Employable | 5,402 | 20,531 | 26 |
| Disabled Person | 5,790 | 20,521 | 28 |
| Single Parent, One Child | 9,079 | - | - |
| Couple, Two Children | 16,115 | 48,610 | 33 |

Table 4 (Cont'd)

| | Welfare Income | Estimated Average Income | Welfare Income as Percentage of Estimated Average Income |
|---|---|---|---|
| **SASKATCHEWAN** | | | |
| Single Employable | 4,930 | 19,694 | 25% |
| Disabled Person | 7,990 | 19,694 | 41 |
| Single Parent, One Child | 11,119 | - | - |
| Couple, Two Children | 15,892 | 46,356 | 34 |
| **ALBERTA** | | | |
| Single Employable | 4,873 | 22,643 | 22 |
| Disabled Person | 6,010 | 22,643 | 27 |
| Single Parent, One Child | 10,115 | 20,337 | 50 |
| Couple, Two Children | 15,471 | 51,647 | 30 |
| **BRITISH COLUMBIA** | | | |
| Single Employable | 5,486 | 23,050 | 24 |
| Disabled Person | 7,544 | 23,050 | 33 |
| Single Parent, One Child | 10,976 | - | - |
| Couple, Two Children | 14,338 | 52,824 | 27 |

Earnings Exemptions

The figures in the tables above do not take into account the fact that welfare income may be increased by personal earnings. Each province and territory allows welfare recipients to retain a certain amount - a flat-rate sum and/or a percentage of net earnings - without any reduction in their welfare cheques. Nova Scotia and Manitoba have earnings exemptions based on gross rather than net earnings for recipients of provincial social assistance. Ontario switched from gross to net earnings in October 1989.

These extra amounts were not included in the tables because it is not certain that recipients would actually increase their incomes by these levels. They may be unable to work or unable to find employment.

Allowable earnings exemptions in each province and territory are presented in Table 5. It can be seen that these vary by family size and employability. Some provinces also recognize child care expenses in the calculation of allowable earnings.

While provinces and territories are free to set their earnings exemption levels, they are expected to fall within federal parameters. Prior to October 1985, the federal government would not allow cost-sharing for provincial earnings exemptions which exceeded the following levels: for a single person, the greater of $95 or 25 percent of the amount of social assistance to which the person would be entitled if he or she had no income; for a family, the greater of $190 or 25 percent of social assistance plus the family allowance and child tax credit benefits to which the household would be entitled if it had no income.

In 1985, the federal government made special provision for cost-sharing in welfare programs with enhanced earnings exemptions. The initiative is part of the "four-corner agreements" involving the federal Ministers of Health and Welfare and Employment and Immigration and their respective provincial and territorial counterparts. The purpose of these agreements is to promote the participation of employable welfare recipients in the labour market.

Enhanced earnings exemptions are important because they provide a means for welfare recipients to improve (at least marginally) the quality of their lives. These exemptions also encourage individuals to get experience in the labour market and to gain sufficient confidence to leave the welfare system.

More generous earnings exemptions can be a positive measure - but only if they <u>supplement</u> rather than <u>replace</u> adequate welfare benefits. The new Work and Employment Incentives Program in Quebec, for example, has an elaborate scale of earnings exemptions which complement assistance benefits. While these exemptions were intended to provide an incentive to work, they could be employed in the future as an alternative to increases in the rates of assistance.

In effect, earnings exemptions are being used increasingly throughout the country as a means of reducing government contributions to welfare benefits and of increasing the personal contribution which recipients make toward their own support. It will be important to ensure in the future that enhanced earnings exemptions do not gradually become a replacement for rate increases.

TABLE 5

MONTHLY EARNINGS EXEMPTION LEVELS AS OF OCTOBER 1989

| | Unemployable | Employable |
|---|---|---|
| Newfoundland | For adults on social assistance for reasons other than unemployment (excluding disability), $30 + 50 percent of allowable income over $30 and up to $80 a month (maximum monthly exemption of $55)<br><br>For families on social assistance for reasons other than unemployment, first $30 + 50 percent of allowable income over $30 a month and up to $200 a month (maximum monthly exemption of $115)<br><br>For disabled adult, up to $95 a month<br><br>For family with disabled member(s), up to $190 a month | For adults who are unemployed, 50 percent of allowable income up to $80 a month; (maximum monthly exemption of $40)<br><br>For unemployed families, 50 percent of allowable income up to $200 a month, (maximum monthly exemption of $100)[1] |
| Prince Edward Island[2] | 20 percent of net wages for first six months on assistance and 10 percent of wages for next six months; no earnings exemption after that time[3] | Same |

TABLE 5 (Cont'd)

| | Unemployable | Employable |
|---|---|---|
| Nova Scotia | For single person, $100 + 25 percent of gross wages[4] | $50 single person[5] |
| | For families, $200 + 25 percent of gross wages[4] | $100 family[5] |
| New Brunswick | $150 single person | $150 single person |
| | $200 family | $200 family |
| | | Where a recipient has been designated as having high employment potential, exemptions are increased for one person by an additional monthly amount of $100 for two months. Exemptions for a family are increased by an additional monthly amount of $200 for two months and $100 for the third month. Two-parent employable families are eligible for the $200 exemption for six months with an allowable extension. |
| Quebec | $100 for single person and family[6] | $80 for a single person or single parent; $50 for a two-parent family[6,7] |

**TABLE 5 (Cont'd)**

| | Unemployable | Employable |
|---|---|---|
| Ontario[8] | $160 + 20 percent over $160 of net earnings for single disabled person | $75 + 20 percent over $75 of net earnings for a single person |
| | $185 + 20 percent over $185 of net earnings for family with at least one disabled beneficiary | $150 + 20 percent over $150 of net earnings for a two-parent family |
| | $175 + 20 percent over $175 of net earnings for a single-parent family | $175 + 20 percent over $175 of net earnings for a single-parent family |
| Manitoba[9] | The greater of $50 a month, 70 cents for each hour worked or 30 percent of gross monthly earnings; $50 a month up to $600 a year for newly enrolled applicants, students and self-employed persons | $105 a month; $200 for those enrolled in Wage Supplementation Program[10] |
| Saskatchewan[11,12] | First $100 of monthly earned income + 20 percent of excess (maximum exemption $150) for single disabled person | First $25 of monthly earned income + 20 percent of excess (maximum exemption $75) for one-person household considered non-disabled |
| | First $125 of monthly earned income + 20 percent of excess (maximum exemption $225) for two-person family classified as disabled | First $50 of monthly earned income + 20 percent of excess (maximum exemption of $150) for two-person family considered non-disabled |

TABLE 5 (Cont'd)

| | Unemployable | Employable |
|---|---|---|
| Alberta | 100% of earnings up to $115; 50 percent of earnings between $116 and $200; 25 percent of earnings between $201 and $300; 10 percent exemption on earnings over $300 | Same |
| British Columbia | For an unemployable person, $50 a month; $100 for single disabled person (unemployable clients may choose to be reclassified as employable if they would benefit from the enhanced earnings exemption) | For a single employable person, a monthly exemption of $50 + 25 percent of net earnings exceeding this amount[13]<br><br>For households with a recipient and one or more dependents, none of whom is disabled and at least one of whom is employable, monthly exemption of $100 + 25 percent of net earnings[13] |
| Northwest Territories | $50 (no dependents)<br><br>$100 (dependents) | Same |

TABLE 5 (Cont'd)

| | Unemployable | Employable |
|---|---|---|
| Yukon | No exemption on net income from full-time employment (more than 20 hours a week); earnings exemption on part-time employment is the greater of 50 percent of net earnings but not exceeding 25 percent of the total of items of basic requirements necessary to maintain an applicant and dependents or $5 a month for a single person, $10 a month for a family of two and $15 a month for a family of three or more<br><br>For permanent exclusions from the labour market, $25 for a single person; $50 for a married couple from sale of handicrafts or hobby materials | There is no earnings exemption on net income from full-time employment (more than 20 hours a week). However, full-time employees are provided a full-time employment allowance of $25 a month for clothing and $25 a month for transportation |

# NOTES TO TABLE 5

1. In the calculation of net earnings, Newfoundland will permit the deduction of up to $200 a month for child care services (in addition to compulsory work-related deductions) if it is necessary to hire a babysitter to undertake employment.

2. These earnings exemptions apply to individuals who have not been engaged in permanent or full-time employment prior to requesting assistance as well as to those absent from the labour market for 12 consecutive months.

3. Trainees of sheltered workshops, including persons with a mental handicap, may keep the first $80 of wages.

4. There is a four-week exemption for the first month of full-time employment (100 hours minimum).

5. These are the earnings exemptions for the City of Halifax.

6. The exemptions indicated here were introduced with the new income security legislation in Quebec. The exemption for unemployable recipients was calculated under the Financial Support Program while exemptions for employable recipients were calculated under the Work and Employment Incentives Program.

7. These are the earnings exemptions for recipients classified as "participants" within the Work and Employment Incentives Program. Different levels of earnings exemption apply to persons classified as "available," "non-available" or "non-participating."

8. These earnings exemptions were introduced as part of the Supports to Employment Program (STEP) announced by Ontario in October 1989. The exemptions are more generous than they were prior to the reform; both the flat-rate amount and the percentage component have been changed. In addition, earnings are now calculated on the basis of net income and not gross income. An amount for child care expenses may now be deducted in the calculation of net income.

9. Manitoba allows the deduction of work-related expenses, including child care, in the calculation of net income.

10. These are the exemptions provided by the City of Winnipeg. In addition to deductions for work-related contributions such as Canada Pension Plan and unemployment insurance, an amount for work clothes, day care and other expenses may be permitted at the discretion of the director.

11. The earnings exemptions indicated here apply to fully employable individuals only after they have been in receipt of social assistance for at least the preceding three consecutive months. Recipients in the disabled category, by contrast, are entitled to the earnings exemption from the time they receive income from salaried employment.

12. Earnings exemption levels vary by family size. Only one-person and two-person households are indicated here.

13. The enhanced earnings exemption of 25 percent over flat-rate exemptions applies only to the earned income of recipients considered employable. The enhanced exemption may be claimed no more than 12 times in a three-year period. Disabled persons are also eligible for the enhanced earnings exemption.

## The Need for Reform

Welfare in Canada: The Tangled Safety Net called for reform of the welfare system in Canada and set out 55 recommendations for improvements. These proposals were based upon five fundamental principles: simplification, accessibility, equity, adequacy and due process.

Since the publication of the report, there have been many changes to welfare systems throughout the country. In some provinces, welfare reform has genuinely attempted to untangle or improve the safety net. In other provinces, "reform" has been directed toward shrinking the safety net - encouraging recipients to leave the welfare rolls and tightening up the eligibility criteria.

The National Council of Welfare is currently preparing a report which examines the shape that welfare reform has taken in different parts of the country. The report will explore the extent to which various provincial welfare initiatives have moved toward or, in some cases, further away from the ideals of simplicity, adequacy and fairness.

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National Council of Welfare
Jeanne Mance Bldg.
Ottawa K1A 0K9

Director: Ken Battle
Assistant Director: Steve Kerstetter
Consultant: Sherri Torjman

# NATIONAL COUNCIL OF WELFARE

The National Council of Welfare was established by the Government Organization Act, 1969 as a citizens' advisory body to the Minister of National Health and Welfare. Its mandate is to advise the Minister on matters pertaining to welfare.

The Council consists of 21 members, drawn from across Canada and appointed by the Governor-in-Council. All are private citizens and serve in their personal capacities rather than as representatives of organizations or agencies. The membership of the Council has included past and present welfare recipients, public housing tenants and other low-income citizens, as well as lawyers, professors, social workers and others involved in voluntary service associations, private welfare agencies, and social work education.

Reports by the National Council of Welfare deal with a wide range of issues on poverty and social policy in Canada, including: income security programs, medicare, poverty lines and poverty statistics, the retirement income system, the aged, tax reform, the working poor, children in poverty, community economic development, women and poverty, employment policy, single-parent families, social services, nutrition, community organizing, child welfare, poor people's groups, legal aid/legal services, low-income consumers, poverty coverage in the press and welfare reform.

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# welfare incomes 1990

a report by the
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Canada

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Copies of this publication may be obtained from:
National Council of Welfare
Jeanne Mance Building
Ottawa K1A 0K9
(613) 957-2961

Également disponible en français sous le titre:
Revenus de bien-être social, 1990


Cat. No. H68-27/1991E
ISBN 0-662-19197-8

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## SUMMARY

This report is the third of its kind by the National Council of Welfare. It estimates welfare incomes for the year 1990 for four types of households: a single employable person, a single person with a disability, a single-parent family with a child aged two, and a two-parent family with two children aged ten and 15. Similar estimates were published in Welfare in Canada: The Tangled Safety Net and Welfare Incomes 1989.

All three reports show that welfare incomes in all parts of Canada fall well below the poverty line. They also represent only a small fraction of average incomes. Welfare Incomes 1990 shows explicitly for the first time that many welfare recipients have seen their benefits decline in value over the years because of the lack of automatic cost-of-living increases in basic welfare rates.

By themselves, income data cannot really describe the plight of the estimated 1.9 million Canadians who survive on the inadequate allowances paid by governments. Many thousands of children from welfare families go to school hungry. Many thousands of people with disabilities face disproportionately larger problems because of the additional expenses related to their disabilities. Many thousands of single people and families live in substandard housing. Others cut back on food to be able to afford more livable accommodations.

The National Council of Welfare will have more to say about these problems in a future report on welfare reform. Meanwhile, we hope that our rigorous, if somewhat bloodless methodology for calculating welfare incomes will help dispel some of the cruel and unjustified myths about people on welfare.

## What is Welfare?

Social assistance or welfare is the income program of last resort in Canada. It provides financial assistance to individuals and families whose resources are inadequate to meet their needs and who have exhausted other avenues of support.

Welfare is paid under the terms of the Canada Assistance Plan, an arrangement that allows the cost to be shared by the federal government and the provinces and territories. Although people talk about welfare as a single entity, there are really 12 welfare systems in Canada - one in each province and territory. Some would say there are hundreds of welfare systems, because of the leeway allowed to municipalities which run welfare programs in Nova Scotia, Ontario and Manitoba.

Despite the fact that each of the 12 main welfare systems is different, they have many common features. They have complex rules which regulate all aspects of the system, including eligibility for assistance, the rates of assistance, the amounts recipients are allowed to keep from outside earnings, and the way in which applicants and recipients may question decisions regarding their cases.

## Eligibility

Eligibility for welfare is based on some general rules, on a determination of fixed and liquid assets, and on a shortfall in household income as measured by a "needs test."

Applicants must qualify for assistance on the basis of rules which vary widely throughout the country. For example, applicants must be of a certain age (usually between 18 and 65). Full-time

students of post-secondary educational institutions may qualify for assistance only if they meet specified conditions. Single parents must try to secure any court-ordered maintenance support to which they are entitled. Individuals who are disabled require medical certification of their conditions. Strikers are not eligible in most jurisdictions. Immigrants must try to obtain financial assistance from their sponsors.

Applicants also must meet requirements concerning their fixed and liquid assets. The value of their assets cannot exceed certain levels. Otherwise, applicants are considered to be self-reliant or potentially self-reliant because they can convert their fixed assets into liquid assets.

Rules vary regarding the treatment of fixed assets. In most provinces, a principal residence and personal effects such as furniture and clothing are considered exempt. Most provinces exempt the value of a car, although some jurisdictions take into consideration factors such as the need for a private vehicle and the availability of public transportation. Property and equipment required for employment are generally considered exempt.

The limits on liquid assets (cash, bonds, securities that are readily convertible to cash, and the cash value of life insurance) are shown in Table 1 that follows. The amounts vary by household size and employability.

Provinces and territories set their own maximum allowable liquid assets. If they want to qualify for cost-sharing, however, the amounts cannot exceed the maximums set by Ottawa.

The federal maximums on liquid assets are:

* $2,500 for a single person and $3,000 when an individual is aged or disabled.

* $5,000 for a person with one dependent (spouse or child) and $5,500 when the applicant or spouse is aged or disabled.

* an extra $500 for the second and each additional dependent.

* an additional amount where this has been placed in a special fund or trust for purposes that the province considers to be socially important - for example, the education of a child or the purchase of equipment to overcome a disabling condition.

The liquid assets permitted by most provinces and territories do not reach the federal maximums. Only Newfoundland and Ontario allow applicants for long-term assistance to have liquid assets that match federal levels, while Nova Scotia and Alberta permit the maximum levels for people with disabilities. In fact, the levels in Table 1 are almost identical to the 1986 levels presented in <u>The Tangled Safety Net</u>. This means that most provinces had not changed their levels of allowable liquid assets for at least four years. Federal guidelines were last changed in July 1980.

The maximums allowed by Ottawa and the provinces are very low and require individuals to be poor before they are eligible for financial aid. Disabled individuals in particular have expressed concern about the fact that these levels do not allow them to have a small "personal safety net" which they can use in the event of an emergency or special need.

TABLE 1

LIQUID ASSET EXEMPTION LEVELS AS OF DECEMBER 1990

| | Unemployable | | | Employable | |
|---|---|---|---|---|---|
| | Single Person | Single Parent One Dependent | Single Disabled | Single Person | Family |
| Newfoundland | $2,500 | $5,000 | $3,000 | $40 | $100 |
| Prince Edward Island | 200 | 1,200 | 900 | 50[1] | 50[1] |
| Nova Scotia | 1,500 | 2,500 | 3,000 | Municipalities generally require liquid assets to be expended to meet basic needs. | |
| New Brunswick | 500 | 1,000 | 1,000 | 500 | 1,000 |
| Quebec | **[2] | **[2] | 2,500[2] | 1,500 | 2,500 |
| Ontario | 2,500[3] | 5,000[3] | 3,000[3] | Municipal welfare administrators determine the level of liquid assets a person may have and still be eligible for assistance.<br><br>For a single person, assets equal to 1-2 weeks' assistance may be exempted (or up to 1-3 months' assistance in the case of a temporarily unemployable person).<br><br>For a family, assets equal to 1-3 months' assistance. | |

TABLE 1 (Continued)

| | Unemployable | | | Employable | |
|---|---|---|---|---|---|
| | Single Person | Single Parent One Dependent | Single Disabled | Single Person | Family |
| | | | | Maximum exemptions ($2,500 for a single person and $5,000 for a couple plus $500 per dependent) may apply to households to be transferred to long-term assistance. | |
| Manitoba[4] | $400 | $2,000 | $400 | Municipalities generally require liquid assets to be expended to meet basic needs. | |
| Saskatchewan | 1,500 | 3,000 | 1,500 | $1,500 | $3,000 |
| Alberta | 1,500 | 2,500 | 3,000[5] | For a single person, $50 cash plus the equivalent of $1,450 in cash assets. For a family, $250 cash plus the equivalent of $2,250 in cash assets. | |
| British Columbia | 500[6] | 1,500 | 2,500 | 160 | 1,500 |
| Northwest Territories | The value of any assets that should not be converted into cash for sound social or economic reasons (in the director's opinion) is exempt from inclusion as a personal resource. | | | | |
| Yukon | 500 | 1,800 | 1,500 | 100[7] | 200[7] |

## NOTES TO TABLE 1

1. This level applies to unemployed applicants who require assistance for less than four months. Liquid asset exemption levels for persons on assistance for four months or more are higher.

2. Under the new system of income security in Quebec, applicants would not be considered unemployable unless they were disabled. Families that qualify under the Financial Support Program get a $5,000 exemption.

3. The director may permit households in receipt of Family Benefits to exceed the maximum exemption level by no more than ten percent. This exception applies only to current beneficiaries and not to applicants.

4. Manitoba has a distinct set of rules pertaining to persons owning or operating farms.

5. This level applies to persons who are severely and permanently disabled as defined under the Assured Income for the Severely Handicapped (AISH) program.

6. This applies to recipients under age 55. The asset exemption for recipients between the ages of 55 and 59 is $1,500.

7. This asset exemption level applies to persons on assistance for less than 90 days. Higher levels are permitted for those on assistance for more than 90 days.

The determination of fixed and liquid assets is part of the needs test. Under this test, the needs of a household for food, clothing, shelter and other essential items are calculated - using criteria for need as determined by provincial and territorial governments. Special needs items, if they are deemed essential to daily living or are required for a regularly recurring need, are generally included in this calculation.

The household income from various sources is identified. Some income, such as family allowances, the federal refundable child tax credit and the federal sales tax credit, is normally considered exempt; it is not calculated as income available for the support of the applicant. Income from other sources such as employment, pensions and unemployment insurance is considered as income fully or partially available for support of the household.

Saskatchewan does not exempt family allowances. Quebec exempts government transfers, including family allowances and the child tax credit, in the calculation of benefits, but takes their value into account when setting the rates of assistance.

Total non-exempt income is subtracted from the total needs of the household. Applicants qualify if the household's needs exceed its resources or if there is a budget surplus that is insufficient to meet the cost of a special need such as medications or disability-related equipment.

The needs test is the central eligibility criterion required by the assistance provisions of the Canada Assistance Plan. The law authorizes the federal government to share the costs of welfare only on behalf of households that qualify on the basis of need.

The needs test has a significant impact upon the shape of the welfare system. The test is fairly "intrusive." Applicants must

reveal a significant amount of financial and personal information. A large bureaucracy is required, and individual welfare workers have room to make discretionary judgments in the application of welfare regulations.

By contrast, eligibility for other income support programs such as the federal refundable child tax credit and Guaranteed Income Supplement for seniors is determined by an income test. This is a simpler and more objective test based on income alone, not assets or needs. Eligibility for the refundable child tax credit, for example, is based on net family income as reported on income tax returns.

In summary, applicants are eligible for welfare if they qualify on the basis of certain general rules, if their assets fall within the guidelines on fixed and liquid assets, and if their needs exceed the financial resources available to them.

## Rates of Assistance

Every province and territory uses a different method of calculating basic social assistance, which generally includes food, clothing, shelter, utilities, and an allowance for personal and household needs.

Applicants and recipients may be eligible for extra assistance if they have special needs such as medication, prosthetic devices, technical aids and equipment, special clothing or dental care. Assistance may be provided as cash or "in kind" in the form of vouchers, goods or services.

Sometimes applicants require assistance only for a special needs item, because they are able to provide for other basic needs

from their own resources. In such a case, the province or territory may grant the specific amount that the household requires.

Every province and territory has a list of special needs for which it will provide extra assistance. In some cases, only a portion of the cost of a particular item is paid. For example, the province may reimburse a certain percentage of dental costs, and the recipient is expected to pay the remaining amount.

In Ontario, municipalities may make special assistance available for households that require financial help only for designated special needs. The fact that municipalities are not required to grant such assistance has created hardship for many low-income individuals and families with special needs.

All across Canada, welfare officals have some degree of discretion in deciding whether certain households qualify for special assistance under provincial or territorial welfare regulations. Discretion is both a strength and weakness of the welfare system. On the one hand, welfare recognizes the fact that individuals may have on-going or one-time special needs for which they require assistance. On the other hand, a person with special needs may be considered eligible for extra assistance by one welfare worker, but not by another.

Table 2 presents a national picture of estimated welfare incomes for 1990. The incomes are for the basic needs of four household types: a single employable person, a single disabled person, a single-parent family with one child aged two and a two-parent family with two children aged ten and 15. To facilitate comparisons, we assumed that each of the households went on welfare on January 1, 1990, and remained on welfare for the entire calendar year.

These rates must be interpreted with caution. They are estimates of what a particular family or single person might receive. Because welfare is such a highly individualized program of income support, every recipient is potentially eligible for a different amount of financial assistance.

It is especially important to understand the derivation of the social assistance figures in Column 1. These figures are both maximum and minimum amounts.

They are maximum amounts in that they represent the highest level of welfare that a designated province will provide to a given household unit for its basic living needs. Recipients might actually receive any amount up to and including that maximum level.

At the same time, these figures are minimum amounts in that they do not include any of the special needs assistance to which a given household may be entitled.

## Basic Social Assistance

Column 1 represents the basic social assistance to which eligible households are entitled. Basic assistance generally includes an amount for food, clothing, shelter, utilities, and personal and household needs.

In order to ensure to the greatest extent possible the comparability of the data, a number of assumptions were made in calculating basic assistance. These assumptions involve the size of a municipal area, two-tier welfare systems, the employability of the recipients, accommodation, and rate increases.

### a. largest municipal area

The rates of social assistance are for the largest municipal area in the province or territory. The shelter component of basic assistance may vary by region. Assistance may increase in more remote areas in order to compensate for higher living costs. For example, a supplementary fuel allowance is granted to recipients in Labrador when the cost of heat is not included in the rent. A northern districts supplement is available under General Welfare Assistance in Ontario. Manitoba and Saskatchewan provide a northern food allowance. The food rates in the Northwest Territories vary by region.

### b. two-tier welfare systems

Nova Scotia, Ontario and Manitoba have two-tier welfare systems. This means that the provincial government assumes responsibility for certain recipients (generally those considered to be unemployable) while municipal governments are responsible for other categories of recipients (generally those considered to be employable).

In Nova Scotia and Manitoba, municipalities set their own levels of assistance. The welfare rates for single employable recipients and two-parent households in Table 2 are for Halifax and Winnipeg. Rates for these households may vary in the other municipalities in these two provinces.

Ontario also has a two-tier welfare system, but municipalities must conform to a standard set of provincial rates for basic welfare assistance. There is wide variation, however, with respect to the provision of special assistance, which is the sole responsibility of Ontario municipalities.

c. employability of recipients

Short-term rates of assistance (which are generally lower than long-term rates) were assigned to single employable individuals in all jurisdictions. In fact, in some provinces such as British Columbia, single employable persons are eligible for assistance for one month only, after which they must renew their applications. In order to "annualize" the rates presented in Table 2, it was assumed that these people started receiving welfare on January 1, 1990, and remained on assistance throughout the entire year, even though many recipients would not actually have been eligible on such a "long-term" basis. Prince Edward Island got rid of its short-term rates altogether as of April 1, 1990, but the impact of the new policy is not reflected in Table 2, because short-term rates were still in effect for the first three months of the year.

Single disabled persons generally qualify for long-term rates of assistance. In Ontario, they are eligible for benefits under the Guaranteed Annual Income System for the Disabled (GAINS-D) program. In Alberta, disabled applicants may qualify for benefits under one of two programs - social assistance or Assured Income for the Severely Handicapped (AISH). The rates in Table 2 are for the social assistance program, although the corresponding rate of assistance for persons with severe and permanent disabilities is indicated in the accompanying footnotes. The Alberta welfare system changed in 1991.

In most cases, the single-parent family was assigned higher rates of assistance. It was generally presumed that this family was unemployable because of the young age of the child (two years). However, classification of the single-parent family actually varies throughout the country, and this variation is reflected in the calculations in Table 2.

In Saskatchewan, single parents are not required to seek employment or take training if they choose to remain at home to care for a child under one year of age. Single parents with a child over age one may be deemed unemployable if they are required to remain at home to care for a child with special problems.

In Alberta, single parents with one child over the age of four months were considered able to work in 1990. The age limit was raised to two years in February 1991.

Single parents in New Brunswick and Quebec receive the benefits paid under the employability enhancement programs in these provinces - the Upgrading, Training and Placement Program and the Work and Employment Incentives Program, respectively. The employability enhancement programs provide lower rates of assistance than long-term welfare programs.

Finally, the two-parent family with two children was considered to be employable for the purposes of these calculations. If, for some reason, the family was unemployable (for example, the family head was disabled), it would be eligible for higher rates of assistance.

## d. accommodation

Table 2 considers welfare recipients to be renters rather than homeowners. It also assumes that there was no sharing of accommodation. In some provinces, rates of assistance are reduced when unrelated individuals share housing. Under the Work and Employment Incentives Program for employable persons in Quebec, for example, the monthly assistance cheques of two households sharing accommodation were reduced by $89 each in 1990.

Where shelter allowances do not include the cost of utilities, the latter were added to the shelter rates. Maximum allowable shelter rates were employed for all jurisdictions. A problem arose while trying to do calculations for the Northwest Territories, because there is no maximum rate scale for shelter. Actual rents are paid and these vary widely in the North. As a result, no rates of assistance are provided for the Northwest Territories in Table 2.

### e. rate increases

Most welfare rates are not automatically increased in line with increases in the Consumer Price Index. Only Quebec indexes its rates of assistance and then only for long-term recipients under the Financial Support Program, although the province gave other welfare recipients discretionary increases in 1990.

Most other provinces also granted discretionary increases to welfare recipients for 1990, some at the beginning of the year and others during the course of the year. The increases were incorporated in the calculations in Table 2 as of their effective dates. There were no increases in Alberta or Yukon.

## Special Assistance

Two kinds of assistance may be provided for special needs. First, there are regularly recurring needs within certain groups, such as people with disabilities. Second, there are "one-time" special needs which are determined case by case. One-time special needs include items such as funeral expenses, moving costs or emergency home repairs.

Decisions to provide either type of special assistance are made by individual welfare workers. In some cases, approval is required from an administrator, director or designated professional such as a doctor.

Because it is impossible to know whether individuals receive special assistance and because the amount and type of help vary by household, these extra amounts have not generally been included in the calculation of estimated welfare income.

Special assistance has been incorporated in Column 2 of Table 2 only when it is automatically provided to certain recipients. Examples of special assistance include: extra assistance for disabled persons in Newfoundland and Prince Edward Island, money for school expenses in Quebec, a clothing allowance for families with children in Ontario, and a lump-sum Christmas allowance and winter clothing allowance for all recipients in Yukon. The footnotes explain the nature of the special assistance in each jurisdiction.

## Family Allowances

Federal family allowances are indicated in Column 3. These are standard throughout the country except in Alberta, which varies the amount of the allowance according to the age of the child, and in Quebec, which varies the allowance by family size and age. In addition to the federal allowance, Quebec provides a supplementary family allowance. This provincial allowance is incorporated in the calculations for child-related benefits in Column 5.

Provinces normally consider family allowances as exempt income in the calculation of welfare benefits. The only exception is Saskatchewan, which deducts the value of family allowances from

welfare payments. The province claims that its family welfare rates are comparable to other provinces, because family allowances are taken into account in the setting of rates. The rates of assistance presented in Column 1 for the two households with children have been reduced by the appropriate amount of family allowances for Saskatchewan.

## Child Tax Credit

The federal refundable child tax credit is indicated in Column 4. The credit goes to families of low and middle incomes with children under 18. Families with very low incomes get a prepayment of the credit each year before Christmas and the rest when they file their income tax returns in the spring.

The figures in Column 4 consist of the portion of the 1989 credit that was received after tax returns were filed in the spring of 1990 plus the prepayment of the 1990 tax credit received late in 1990.

The calculation includes the supplement to the child tax credit for low-income families with children under the age of seven which do not have receipted child care expenses.

## Child-Related Benefits

Child-related benefits refer to additional benefits that some provinces provide to low-income families with dependent children. Quebec provides a family allowance over and above the federal family allowance. Quebec also makes available a special allowance to families with children under six called the Allowance for Young

Children. It was worth $8.75 a month in 1990 for the first child under six.

Manitoba provides up to $30 a month per child under the Child-Related Income Support Program (CRISP). As of July 1990, the maximum benefit went to families with net incomes of $12,384 a year or less. For the single-parent family on provincial welfare, the CRISP benefit has been included in the rates of assistance. For the two-parent family on municipal welfare, it is indicated separately as a child-related benefit.

The Family Income Plan (FIP) in Saskatchewan provides non-taxable cash assistance for eligible families with dependent children under 18 years of age. Maximum benefits are $100 a month for each of the first three children and $90 a month for the fourth and subsequent children. This amount is not presented as a separate entry in Column 5 because the province includes it in the rates of assistance for families on welfare.

## Sales Tax Credit

The federal refundable sales tax credit is indicated in Column 6. The 1989 value of the credit has been used in the calculations because this is the amount that individuals and families actually received when they filed their 1989 income tax returns in early 1990. The credit was worth $100 per adult and $50 per child.

## Provincial Tax Credits

The tax credits in the table are limited to the Sales and Property Tax Credits in Ontario and the Cost of Living and Property Tax Credits in Manitoba.

## TABLE 2

## ESTIMATED WELFARE INCOME, BY TYPE OF HOUSEHOLD AND PROVINCE, 1990

| | Basic Social Assistance | Additional Benefits | Family Allowances | Child Tax Credit[1] | Child-Related Benefits | Federal Sales Tax Credit[2] | Provincial Tax Credits | Total Welfare Income |
|---|---|---|---|---|---|---|---|---|
| **NEWFOUNDLAND**[3] | | | | | | | | |
| Single Employable[4] | 3,884 | | | | | 100 | | 3,984 |
| Disabled Person | 6,288 | 1,500[5] | | | | 100 | | 7,888 |
| Single Parent, One Child | 9,928 | | 400 | 773 | | 150 | | 11,251 |
| Couple, Two Children | 11,480 | | 800 | 1,142 | | 300 | | 13,722 |
| **PRINCE EDWARD ISLAND**[6] | | | | | | | | |
| Single Employable[7,8] | 7,245 | | | | | 100 | | 7,345 |
| Disabled Person | 7,305 | 1,080[9] | | | | 100 | | 8,485 |
| Single Parent, One Child | 10,113 | | 400 | 773 | | 150 | | 11,316 |
| Couple, Two Children[7] | 14,769 | 175[10] | 800 | 1,142 | | 300 | | 17,186 |
| **NOVA SCOTIA**[11] | | | | | | | | |
| Single Employable | 5,882 | | | | | 100 | | 5,982 |
| Disabled Person | 8,064 | | | | | 100 | | 8,164 |
| Single Parent, One Child | 9,792 | | 400 | 773 | | 150 | | 11,115 |
| Couple, Two Children | 11,950 | 40[12] | 800 | 1,142 | | 300 | | 14,232 |
| **NEW BRUNSWICK**[13,14] | | | | | | | | |
| Single Employable | 2,904 | | | | | 100 | | 3,004 |
| Disabled Person | 5,804 | 1,800[15] | | | | 100 | | 7,704 |
| Single Parent, One Child | 7,868 | | 400 | 773 | | 150 | | 9,191 |
| Couple, Two Children | 8,500 | | 800 | 1,142 | | 300 | | 10,742 |

TABLE 2 (Continued)

| | Basic Social Assistance | Additional Benefits | Family Allowances | Child Tax Credit | Child-Related Benefits | Federal Sales Tax Credit | Provincial Tax Credits | Total Welfare Income |
|---|---|---|---|---|---|---|---|---|
| **QUEBEC**[16,17,18] | | | | | | | | |
| Single Employable[19] | 6,624 | | | | | 100 | | 6,724 |
| Disabled Person | 6,872 | | | | | 100 | | 6,972 |
| Single Parent, One Child | 9,096 | 594[20] | 256[21] | 773 | 222[22] | 150 | | 11,091 |
| Couple, Two Children | 13,188 | 787[23] | 735[21] | 1,142 | 273 | 300 | | 16,425 |
| **ONTARIO**[24] | | | | | | | | |
| Single Employable | 6,804 | | | | | 100 | 391[25] | 7,295 |
| Disabled Person | 9,816[26] | | | | | 100 | 334[25] | 10,250 |
| Single Parent, One Child | 12,780 | 95[27] | 400 | 773 | | 150 | 378[25] | 14,576 |
| Couple, Two Children | 16,548 | 366[28] | 800 | 1,142 | | 214[29] | 475[25] | 19,545 |
| **MANITOBA**[30] | | | | | | | | |
| Single Employable[31] | 5,678 | 13[32] | | | | 100 | 701[33] | 6,492 |
| Disabled Person | 5,947 | | | | | 100 | 825[33] | 6,872 |
| Single Parent, One Child | 8,200 | | 400 | 773 | **[34] | 150 | 897[33] | 10,420 |
| Couple, Two Children[31] | 14,383 | 37[32] | 800 | 1,142 | 720[34] | 300 | 939[33] | 18,321 |
| **SASKATCHEWAN**[35] | | | | | | | | |
| Single Employable | 4,980 | | | | | 100 | | 5,080 |
| Disabled Person | 7,740 | 300[36] | | | | 100 | | 8,140 |
| Single Parent, One Child[37,38] | 10,110 | | 400 | 773 | | 150 | | 11,433 |
| Couple, Two Children[37,38] | 13,860 | 160[39] | 800 | 1,142 | | 300 | | 16,262 |

**TABLE 2 (Continued)**

| | Basic Social Assistance | Additional Benefits | Family Allowances | Child Tax Credit | Child-Related Benefits | Federal Sales Tax Credit | Provincial Tax Credits | Total Welfare Income |
|---|---|---|---|---|---|---|---|---|
| **ALBERTA**[40] | | | | | | | | |
| Single Employable[41] | 4,803 | | | | | 100 | | 4,903 |
| Disabled Person[42] | 5,940 | | | | | 100 | | 6,040 |
| Single Parent, One Child[43] | 9,006 | | 316[44] | 773 | | 150 | | 10,245 |
| Couple, Two Children[41] | 13,269 | | 887[44] | 1,142 | | 300 | | 15,598 |
| **BRITISH COLUMBIA**[45] | | | | | | | | |
| Single Employable | 5,776 | 28[46] | | | | 100 | | 5,904 |
| Disabled Person | 8,076 | 28[46] | | | | 100 | | 8,204 |
| Single Parent, One Child | 10,294 | 70[46] | 400 | 773 | | 150 | | 11,687 |
| Couple, Two Children | 12,743 | 155[47] | 800 | 1,142 | | 300 | | 15,140 |
| **YUKON**[48] | | | | | | | | |
| Single Employable | 7,356 | 155[49] | | | | 100 | | 7,611 |
| Disabled Person | 7,356 | 995[50] | | | | 100 | | 8,451 |
| Single Parent, One Child | 11,772 | 572[51] | 400 | 773 | | 150 | | 13,667 |
| Couple, Two Children | 17,724 | 570[49] | 800 | 1,142 | | 145[52] | | 20,381 |
| **NORTHWEST TERRITORIES**[53] | | | | | | | | |

## NOTES TO TABLE 2

1. Families with very low incomes get the child tax credit for a given tax year in two installments: a prepayment before Christmas and the balance when they file their income tax returns. The figures in the table represent amounts actually received during the calendar year 1990. The single-parent family received $255 in the spring and $518 in December, including a supplement for a child under age seven in lieu of receipted child care expenses. The couple with children aged ten and 15 received $376 in the spring and $766 in December.

2. The federal sales tax credit in 1989 was worth $100 per adult and $50 per child. The 1989 value was used here because that is the amount that taxfilers actually received in 1990.

3. Rate changes which took effect on May 1, 1990, were incorporated in these figures.

4. These rates apply to single able-bodied persons under age 50. Rates of assistance to persons over 50 are higher. Welfare officials in Newfoundland say that most single employables fall under a board and lodging rate structure instead of the rates shown here.

5. This is the disability allowance of $125 a month. It is paid only to individuals who are severely disabled and who require supportive services to aid independent living.

6. Rate changes which took effect on April 1 and July 1, 1990, were incorporated in these figures.

7. The only difference between short-term and long-term rates in Prince Edward Island used to be a clothing allowance of $20 a month. As of April 1, 1990, the province eliminated the short-term rate and paid everyone at a rate that included a clothing allowance. The figures here represent three months at the old short-term rate and nine months under the new system that included the clothing allowance.

8. The assistance to single persons appears to be relatively generous because the shelter allowance for singles is higher than that provided in other provinces. Single persons are encouraged and often required to find room and board accommodation and are paid a correspondingly lower allowance.

9. This is the special care allowance of up to $40 a month to help pay for the special needs arising from a disability and the personal comfort allowance of $50 a month for items of personal care.

10. This represents back-to-school benefits of $100 and $75 for the children.

11. The rates are based on changes that took effect on January 1, 1990, for provincial Family Benefits for the single disabled person and the single-parent family. Rates for municipal recipients for the single employable individual and the two-parent family are based on the Halifax rates for 1988. Increases to the food allowance that took effect in December 1990 are included as well. Municipal recipients in Halifax often get an additional $40 a month for work-related transportation, but the allowance is not automatic in all cases.

12. Halifax provides a $20 per child back-to-school allowance.

13. Rate changes which took effect on September 1, 1990, were incorporated in these figures.

14. The single employable person was classified in the Interim Assistance Program, the single disabled person in the Long-Term Established Needs Program, and the single-parent and two-parent families in the Upgrading, Training and Placement Program.

15. This is the maximum Assistance for the Payment of Rent or Board and Lodging Expenses of $150 a month available for low-income elderly or disabled persons.

16. The single disabled person was classified under the Financial Support Program while all the other family types were classified as "participating" under the Work and Employment Incentives Program.

17. Rate changes which took effect on January 1, April 1 and August 1, 1990, for the Financial Support Program are incorporated in these figures. Rates for the Work and Employment Incentives Program are based on changes which took effect on January 1, 1990.

18. Rates of assistance for recipients of the Work and Employment Incentives Program include adjustments that were made as a result of harmonizing the welfare system with the tax system in that province.

19. Under its new system of income security introduced in 1989, Quebec requires a parental contribution from the parents of certain employable individuals defined as "parental dependents." It is possible that the actual assistance would be lower than the rates indicated here if the recipient were classified as a parental dependent as defined by Quebec law.

20. Recipients with dependent children are eligible for a shelter subsidy. The single-parent family was entitled to a maximum monthly subsidy of $49.50.

21. Quebec varies the amount of the federal family allowances. The province has its own system of family allowances as well; these are included under "child-related benefits."

22. This is the combined amount of the Quebec family allowances and the Allowance for Young Children.

23. This is the school expense allowance of $46 for each dependent attending primary school and $93 for each dependent in secondary school. The maximum monthly shelter subsidy of $54 for a family of four is included as well.

24. The figures were based on rate changes which took effect on January 1, 1990, for both the Family Benefits Program and General Welfare Assistance.

25. This represents the combined amounts of the Ontario Sales Tax and Property Tax Credits. The Property Tax Credit was calculated on the following shelter costs: $350 for a single person, $550 for the single-parent family and $650 for the two-parent family; these correspond to the maximum shelter benefits payable in each case.

26. Assistance for a single disabled person was based on the GAINS-D (Guaranteed Annual Income System for the Disabled) rates.

27. This is the winter clothing allowance of $95 paid in October for each dependent child.

28. This is the combined amount of the dependent child allowance and the winter clothing allowance paid in November on behalf of the dependent children of General Welfare Assistance recipients.

29. The federal sales tax credit was reduced by five percent of net family income (including family allowances) in excess of $16,000.

30. Rates for the provincial Social Allowances Program (for the single disabled person and single-parent family) were increased on January 1, 1990. Rates for the single employable person and two-parent family are based on increases for the City of Winnipeg which took effect on October 1, 1990. Increases in food allowances which took effect April 20, 1990, were also incorporated in these figures.

31. The clothing allowance for employable recipients is not provided until the fifth week on assistance.

32. Winnipeg provided a Christmas allowance of $13.05 per single person or family head and $7.90 for each other family member.

33. These are the Manitoba Cost of Living and Property Tax Credits.

34. Low-income families with children are eligible for a supplement from the Child-Related Income Support Program (CRISP). For the single-parent family on provincial assistance, the amount is already included in basic social assistance. For the two-parent family assisted by the City of Winnipeg, it is listed separately as a child-related benefit.

35. Rate increases effective June 1, 1990, and increases to shelter and utility rates effective July 1, 1990, were incorporated in these figures.

36. This represents the $25 a month special care allowance granted to disabled recipients to pay for tasks they are unable to perform themselves.

37. The rates of assistance indicated here have been reduced by the amount of federal family allowances. Saskatchewan is the only province which explicitly deducts the value of family allowances from welfare rates.

38. Low-income families are eligible for supplements from the Family Income Plan (FIP). The benefits are already incorporated within the welfare rates indicated here.

39. This represents an amount for education-related expenses: $100 for children aged 14 and over and $60 for children between the ages of six and 13.

40. Alberta’s new welfare system took effect in 1991. The rates here are based on the former system and rates that were revised in May 1988.

41. Employable individuals in Alberta are not eligible for a clothing or household allowance (except as a special need) until they have been in receipt of assistance for at least three consecutive months.

42. An individual with a severe and permanent disability who qualified under the Assured Income for the Severely Handicapped (AISH) program would have received $8,640 in 1990.

43. Single parents with one child over the age of four months are considered employable in Alberta.

44. Alberta varies the amounts of the federal family allowances according to the age of the child.

45. Rate changes which took effect in August 1990 are included in these figures. Since November 1988, single parents with children over six months of age receive benefits paid at the rate for unemployables, but they are expected to seek work nonetheless.

46. This is the amount of the Christmas allowance.

47. This figure represents the combined amounts of the Christmas allowance and school start-up fees.

48. The last rate increases were introduced on November 1, 1989.

49. This represents the combined amounts of the Christmas allowance and the winter clothing allowance (both of which are payable once a year).

50. In addition to the Christmas allowance and winter clothing allowance, disabled recipients are eligible for a supplementary allowance of $70 a month if they are considered to be "permanent exclusions from the labour force."

51. In addition to the Christmas and winter clothing allowances, a weekly $6 amount for babysitting was included in the special assistance for the single-parent family.

52. The federal sales tax credit was reduced by five percent for net income over $16,000.

53. The Northwest Territories are not included in this table because it was not possible to obtain average cost estimates for shelter rates in Yellowknife. Actual rents, heating and utilities are paid.

<u>Adequacy of Benefits</u>

Many of the incomes in Table 2 are abysmally low. To demonstrate just how low, we compared them with the low income cut-offs of Statistics Canada for 1990. The results are shown in Table 3.

Each year, the federal agency calculates low income cut-offs for households of different sizes living in communities of different sizes. They approximate levels of gross income where people are forced to spend disproportionate amounts of their incomes on food, shelter and clothing.

The National Council of Welfare regards the cut-offs as poverty lines. Like any poverty lines, they have their limitations, but they are widely accepted as a benchmark for judging income adequacy in Canada. Other studies of poverty, especially local surveys using a "market basket" approach, have produced comparable results.

Some provincial governments maintain that the poverty lines are an especially imperfect measure of poverty when it comes to welfare incomes, because the lines are based on pre-tax income and welfare benefits are not taxable. In reality, most of the incomes in Table 3 are so low that there is no difference between taxable and non-taxable income. For example, single employable people in New Brunswick with total incomes of $3,004 in 1990 a year were poor by any standard. Even if they had earned income instead of receiving welfare income, they would have been exempt from income tax because their earnings were so low.

Some provinces also contend that welfare is intended to provide only the bare necessities of life, while incomes at the level of the low income cut-offs are high enough to allow some

discretionary spending as well. The National Council of Welfare has no sympathy for that argument. The fact is that the cut-offs already represent very low levels of income. The only "discretion" many welfare recipients have is whether to live in substandard housing to save money on rent or how to cut back on food when the money starts running short toward the end of the month.

As Table 3 shows, Prince Edward Island and Ontario are two provinces where welfare incomes are closer to the poverty lines than elsewhere, although still substantially below the lines. Some of the rates in other provinces, especially rates for single employables, are far below the lines. Welfare incomes which reach only one-quarter or one-third of the poverty line are unacceptably low and should be raised at the earliest possible date.

At the present time, there are two sets of low income cut-offs in active use. One set is commonly known as the 1978 base lines, because it is based on consumer spending patterns that were surveyed in 1978. The second set is known as the 1986 base lines and is based on spending surveyed in 1986.

Column 1 of the table shows welfare incomes for different types of households in the ten provinces in 1990. Neither of the territories is included in this table because they are specifically excluded from the survey used to generate the cut-offs.

Column 2 indicates the 1978 base poverty lines. Although the National Council of Welfare considers these lines out of date, they are presented here to allow comparisons with the poverty lines used in The Tangled Safety Net. The poverty gap - or difference between total income and the poverty lines (1978 base) - is indicated in Column 3. Column 4 represents total welfare income as a percentage of the poverty line (that is, welfare income divided by the poverty line).

The poverty lines in Column 5 are the 1986 base lines. They are somewhat higher than the 1978 base lines, but they are a more realistic measure of poverty. Columns 6 and 7 show the poverty gap and welfare income as a percentage of the poverty lines using the 1986 base low income cut-offs.

Using the 1986 base poverty lines, welfare incomes for single employable people were by far the least adequate, ranging from 24 percent of the poverty line in New Brunswick to 60 percent of the poverty line in Prince Edward Island. Benefits for single disabled people fell between 43 percent of the line in Alberta and 72 percent in Ontario. Welfare incomes for single-parent families ranged from a low of 53 percent in Alberta to a high of 76 percent in Ontario. Finally, the incomes of two-parent families with two children fell between 44 percent of the poverty line in New Brunswick and 71 percent in Prince Edward Island.

On the whole, the adequacy of benefits has not improved significantly since the calculation of rates in <u>The Tangled Safety Net</u>.

TABLE 3

ADEQUACY OF BENEFITS, 1990

| | Total Welfare Income | Poverty Line (1978 base) | Poverty Gap | Total Welfare Income as % of Poverty Line (1978 base) | Poverty Line (1986 base) | Poverty Gap | Total Welfare Income as % of Poverty Line (1986 base) |
|---|---|---|---|---|---|---|---|
| **NEWFOUNDLAND** | | | | | | | |
| Single Employable | 3,984 | 12,087 | -8,103 | 33% | 12,433 | -8,449 | 32% |
| Disabled Person | 7,888 | 12,087 | -4,199 | 65 | 12,433 | -4,545 | 63 |
| Single Parent, One Child | 11,251 | 15,937 | -4,686 | 71 | 16,854 | -5,603 | 67 |
| Couple, Two Children | 13,722 | 24,601 | -10,879 | 56 | 24,662 | -10,940 | 56 |
| **PRINCE EDWARD ISLAND** | | | | | | | |
| Single Employable | 7,345 | 11,339 | -3,994 | 65 | 12,146 | -4,801 | 60 |
| Disabled Person | 8,485 | 11,339 | -2,854 | 75 | 12,146 | -3,661 | 70 |
| Single Parent, One Child | 11,316 | 14,870 | -3,554 | 76 | 16,464 | -5,148 | 69 |
| Couple, Two Children | 17,186 | 22,997 | -5,811 | 75 | 24,094 | -6,908 | 71 |
| **NOVA SCOTIA** | | | | | | | |
| Single Employable | 5,982 | 12,087 | -6,105 | 49 | 12,433 | -6,451 | 48 |
| Disabled Person | 8,164 | 12,087 | -3,923 | 68 | 12,433 | -4,269 | 66 |
| Single Parent, One Child | 11,115 | 15,937 | -4,822 | 70 | 16,854 | -5,739 | 66 |
| Couple, Two Children | 14,232 | 24,601 | -10,369 | 58 | 24,662 | -10,430 | 58 |
| **NEW BRUNSWICK** | | | | | | | |
| Single Employable | 3,004 | 12,087 | -9,083 | 25 | 12,433 | -9,429 | 24 |
| Disabled Person | 7,704 | 12,087 | -4,383 | 64 | 12,433 | -4,729 | 62 |
| Single Parent, One Child | 9,191 | 15,937 | -6,746 | 58 | 16,854 | -7,663 | 55 |
| Couple, Two Children | 10,742 | 24,601 | -13,859 | 44 | 24,662 | -13,920 | 44 |
| **QUEBEC** | | | | | | | |
| Single Employable | 6,724 | 12,727 | -6,003 | 53% | 14,155 | -7,431 | 48% |
| Disabled Person | 6,972 | 12,727 | -5,755 | 55 | 14,155 | -7,183 | 49 |
| Single Parent, One Child | 11,091 | 16,791 | -5,700 | 66 | 19,187 | -8,096 | 58 |
| Couple, Two Children | 16,425 | 25,884 | -9,459 | 63 | 28,031 | -11,606 | 59 |

Table 3 (Continued)

| | Total Welfare Income | Poverty Line (1978 base) | Poverty Gap | Total Welfare Income as % of Poverty Line (1978 base) | Poverty Line (1986 base) | Poverty Gap | Total Welfare Income as % of Poverty Line (1986 base) |
|---|---|---|---|---|---|---|---|
| **ONTARIO** | | | | | | | |
| Single Employable | 7,295 | 12,727 | -5,432 | 57 | 14,155 | -6,860 | 52 |
| Disabled Person | 10,250 | 12,727 | -2,477 | 81 | 14,155 | -3,905 | 72 |
| Single Parent, One Child | 14,576 | 16,791 | -2,215 | 87 | 19,187 | -4,611 | 76 |
| Couple, Two Children | 19,545 | 25,884 | -6,339 | 76 | 28,031 | -8,486 | 70 |
| **MANITOBA** | | | | | | | |
| Single Employable | 6,492 | 12,727 | -6,235 | 51 | 14,155 | -7,663 | 46 |
| Disabled Person | 6,872 | 12,727 | -5,855 | 54 | 14,155 | -7,283 | 49 |
| Single Parent, One Child | 10,420 | 16,791 | -6,371 | 62 | 19,187 | -8,767 | 54 |
| Couple, Two Children | 18,321 | 25,884 | -7,563 | 71 | 28,031 | -9,710 | 65 |
| **SASKATCHEWAN** | | | | | | | |
| Single Employable | 5,080 | 12,087 | -7,007 | 42 | 12,433 | -7,353 | 41 |
| Disabled Person | 8,140 | 12,087 | -3,947 | 67 | 12,433 | -4,293 | 65 |
| Single Parent, One Child | 11,433 | 15,937 | -4,504 | 72 | 16,854 | -5,421 | 68 |
| Couple, Two Children | 16,262 | 24,601 | -8,339 | 66 | 24,662 | -8,400 | 66 |
| **ALBERTA** | | | | | | | |
| Single Employable | 4,903 | 12,727 | -7,824 | 39% | 14,155 | -9,252 | 35% |
| Disabled Person | 6,040 | 12,727 | -6,687 | 47 | 14,155 | -8,115 | 43 |
| Single Parent, One Child | 10,245 | 16,791 | -6,546 | 61 | 19,187 | -8,942 | 53 |
| Couple, Two Children | 15,598 | 25,884 | -10,286 | 60 | 28,031 | -12,433 | 56 |
| **BRITISH COLUMBIA** | | | | | | | |
| Single Employable | 5,904 | 12,727 | -6,823 | 46% | 14,155 | -8,251 | 42% |
| Disabled Person | 8,204 | 12,727 | -4,523 | 64 | 14,155 | -5,951 | 58 |
| Single Parent, One Child | 11,687 | 16,791 | -5,104 | 70 | 19,187 | -7,500 | 61 |
| Couple, Two Children | 15,140 | 25,884 | -10,744 | 58 | 28,031 | -12,891 | 54 |

Welfare and Average Incomes

The low level of financial support provided by social assistance is also evident when measured against average incomes. Welfare provides only a small part of the income that most Canadians would consider normal or reasonable.

Table 4 on the next page compares the welfare incomes of our four typical households with average incomes for the appropriate household type in each province.

The averages are 1990 estimates by the National Council of Welfare based on data collected by Statistics Canada in the 1988 Survey of Consumer Finances. For the single employable person and the single disabled person, we used average incomes in each province for unattached people under the age of 65. For single parents, we used the average incomes of female single parents with one child, the same family type used in our other tables. Unfortunately, the size of the sample for single parents was too small to be reliable in all provinces except Quebec, Ontario and Alberta. For the two-parent family, we used the average incomes of couples with two children.

Table 4 makes it clear that welfare incomes are far below average. A single employable person on welfare received from 15 percent to 41 percent of the average income received by single people under 65. The disabled person on welfare got 24 to 47 percent of the average. The partial information on single parents shows that they had 38 to 58 percent of the average income of single-parent mothers with one child. The two-parent family on welfare had between 22 and 39 percent of average incomes.

TABLE 4

**WELFARE INCOMES AS PERCENTAGE OF AVERAGE INCOMES, BY FAMILY TYPE AND PROVINCE, 1990**

| | Welfare Income | Estimated Average Income | Welfare Income as Percentage of Estimated Average Income |
|---|---|---|---|
| **NEWFOUNDLAND** | | | |
| Single Employable | 3,984 | 22,415 | 18% |
| Disabled Person | 7,888 | 22,415 | 35 |
| Single Parent, One Child | 11,251 | - | - |
| Couple, Two Children | 13,722 | 44,048 | 31 |
| **PRINCE EDWARD ISLAND** | | | |
| Single Employable | 7,345 | 17,880 | 41 |
| Disabled Person | 8,485 | 17,880 | 47 |
| Single Parent, One Child | 11,316 | - | - |
| Couple, Two Children | 17,186 | 44,031 | 39 |
| **NOVA SCOTIA** | | | |
| Single Employable | 5,982 | 20,301 | 29 |
| Disabled Person | 8,164 | 20,301 | 40 |
| Single Parent, One Child | 11,115 | - | - |
| Couple, Two Children | 14,232 | 50,821 | 28 |
| **NEW BRUNSWICK** | | | |
| Single Employable | 3,004 | 20,458 | 15 |
| Disabled Person | 7,704 | 20,458 | 38 |
| Single Parent, One Child | 9,191 | - | - |
| Couple, Two Children | 10,742 | 48,394 | 22 |

Table 4 (Continued)

| | Welfare Income | Estimated Average Income | Welfare Income as Percentage of Estimated Average Income |
|---|---|---|---|
| **QUEBEC** | | | |
| Single Employable | 6,724 | 21,690 | 31% |
| Disabled Person | 6,972 | 21,690 | 32 |
| Single Parent, One Child | 11,091 | 19,721 | 56 |
| Couple, Two Children | 16,425 | 50,444 | 33 |
| **ONTARIO** | | | |
| Single Employable | 7,295 | 27,288 | 27 |
| Disabled Person | 10,250 | 27,288 | 38 |
| Single Parent, One Child | 14,576 | 25,128 | 58 |
| Couple, Two Children | 19,545 | 64,797 | 30 |
| **MANITOBA** | | | |
| Single Employable | 6,492 | 21,332 | 30 |
| Disabled Person | 6,872 | 21,332 | 32 |
| Single Parent, One Child | 10,420 | - | - |
| Couple, Two Children | 18,321 | 52,539 | 35 |
| **SASKATCHEWAN** | | | |
| Single Employable | 5,080 | 21,362 | 24 |
| Disabled Person | 8,140 | 21,362 | 38 |
| Single Parent, One Child | 11,433 | - | - |
| Couple, Two Children | 16,262 | 48,784 | 33 |

**Table 4 (Continued)**

| | Welfare Income | Estimated Average Income | Welfare Income as Percentage of Estimated Average Income |
|---|---|---|---|
| **ALBERTA** | | | |
| Single Employable | 4,903 | 25,145 | 19% |
| Disabled Person | 6,040 | 25,145 | 24 |
| Single Parent, One Child | 10,245 | 26,758 | 38 |
| Couple, Two Children | 15,598 | 58,819 | 27 |
| **BRITISH COLUMBIA** | | | |
| Single Employable | 5,904 | 26,090 | 23 |
| Disabled Person | 8,204 | 26,090 | 31 |
| Single Parent, One Child | 11,687 | - | - |
| Couple, Two Children | 15,140 | 55,966 | 27 |

## Provincial and Territorial Benefits Over Time

One of the major improvements in social programs during the last two decades was the introduction of indexation. Indexation is a way of guaranteeing by law that people get cost-of-living increases in their benefits on a regular basis. The most common form is annual raises that are linked to the Consumer Price Index of Statistics Canada. Increases in benefits are automatic and do not require any further legislative or administrative approval once an indexing system is in place.

Unfortunately, the federal government has all but done away with indexation in many of its programs, including child benefits. As a result, the real value of family allowances and the refundable child tax credit is declining. Lack of full indexation is also a flaw in the federal refundable sales tax credit described earlier in this report and in the new refundable credit for the Goods and Services Tax that replaced it as of 1991.

Just as unfortunate is the fact that the provinces and territories have generally refused to provide the benefits of indexation to poor people who are forced to fall back on welfare. People who receive benefits under Quebec's Financial Support Program are the only welfare recipients in Canada who have their benefits protected from inflation by law. While other governments raise their welfare rates from time to time, the increases often fall short of the automatic increases that would occur under indexation.

Table 5 shows that many welfare recipients have seen the value of their benefits decline over the years because of the lack of indexation. The figures for 1990 consist of benefits taken from Table 2 that are exclusively within provincial and territorial jurisdiction - in other words, total welfare incomes minus federal

family allowances, the federal refundable child tax credit and the federal refundable sales tax credit. Comparable figures for 1986 and 1989 were calculated from Welfare Incomes 1989 and Welfare in Canada: The Tangled Safety Net.

All the dollar figures in Table 5 are expressed in constant 1990 dollars to factor out the effects of inflation and to show the real purchasing power of welfare and related benefits over time. The percentages in the last two columns show increases or decreases in real purchasing power.

The table provides comparisons of provincial and territorial benefits for 1986, 1989 and 1990 for the single employable person, the single-parent family and the two-parent family. The National Council of Welfare did not include a single person with a disability in its original calculations of welfare incomes for 1986, so the comparison for this group is limited to 1989 and 1990.

Ontario was the only province that provided significant and consistent gains to all four types of households, largely due to the impetus to welfare reform provided by the Transitions report of the Social Assistance Review Committee.

Quebec provided significant increases to single employables and modest increases to other types of households. The huge gain for the single employable person resulted mainly from reforms that equalized rates for people over and under 30 years of age. In 1989, for example, single able-bodied people under 30 received only \$185 a month compared to \$507 a month for those over 30.

Outside of Ontario and Quebec, the table shows more losses than gains. All household types in Newfoundland, Saskatchewan and Alberta lost purchasing power between 1986 and 1990 as well as between 1989 and 1990.

For the single person with a disability, there were small gains in purchasing power between 1989 and 1990 in Quebec, Ontario, British Columbia and Yukon. Elsewhere, there were losses.

These figures provide the best evidence to date of the additional burden welfare recipients bear when their benefits are not indexed. No other program of income support is so erratic and so unpredictable over time. Clearly, the discretionary increases granted periodically by provincial and territorial cabinets are no substitute for annual cost-of-living increases guaranteed by law. And clearly, the federal government has contributed to the financial plight of welfare recipients by providing less than full indexation of the benefits that it provides directly.

## TABLE 5

## PROVINCIAL AND TERRITORIAL WELFARE BENEFITS IN 1990 CONSTANT DOLLARS

| | 1986 | 1989 | 1990 | % Change 1986-1990 | % Change 1989-1990 |
|---|---|---|---|---|---|
| **NEWFOUNDLAND** | | | | | |
| Single Employable | 4,050 | 3,905 | 3,884 | -4.1% | -0.5% |
| Disabled Person | - | 7,866 | 7,788 | | -1.0 |
| Single Parent, One Child | 10,153 | 9,941 | 9,928 | -2.2 | -0.1 |
| Couple, Two Children | 11,744 | 11,501 | 11,480 | -2.3 | -0.2 |
| **PRINCE EDWARD ISLAND** | | | | | |
| Single Employable | 7,521 | 7,275 | 7,245 | -3.7 | -0.4 |
| Disabled Person | - | 8,467 | 8,385 | | -1.0 |
| Single Parent, One Child | 10,368 | 10,029 | 10,113 | -2.5 | 0.8 |
| Couple, Two Children | 15,193 | 14,938 | 14,944 | -1.6 | 0.0 |
| **NOVA SCOTIA** | | | | | |
| Single Employable | 5,528 | 6,162 | 5,882 | 6.4 | -4.5 |
| Disabled Person | - | 8,112 | 8,064 | | -0.6 |
| Single Parent, One Child | 9,573 | 9,860 | 9,792 | 2.3 | -0.7 |
| Couple, Two Children | 11,523 | 12,542 | 11,990 | 4.0 | -4.4 |
| **NEW BRUNSWICK** | | | | | |
| Single Employable | 2,725 | 2,947 | 2,904 | 6.6 | -1.5 |
| Disabled Person | - | 7,722 | 7,604 | | -1.5 |
| Single Parent, One Child | 8,183 | 7,990 | 7,868 | -3.9 | -1.5 |
| Couple, Two Children | 8,853 | 8,644 | 8,500 | -4.0 | -1.7 |

TABLE 5 (Continued)

| | 1986 | 1989 | 1990 | % Change 1986-1990 | % Change 1989-1990 |
|---|---|---|---|---|---|
| **QUEBEC** | | | | | |
| Single Employable | 2,868 | 4,281 | 6,624 | 131.0% | 54.7% |
| Disabled Person | - | 6,622 | 6,872 | | 3.8 |
| Single Parent, One Child | 9,651 | 9,217 | 9,912 | 2.7 | 7.5 |
| Couple, Two Children | 12,473 | 12,971 | 14,248 | 14.2 | 9.8 |
| **ONTARIO** | | | | | |
| Single Employable | 6,129 | 6,588 | 7,195 | 17.4 | 9.2 |
| Disabled Person | - | 9,512 | 10,150 | | 6.7 |
| Single Parent, One Child | 10,977 | 11,822 | 13,253 | 20.7 | 12.1 |
| Couple, Two Children | 13,664 | 14,919 | 17,389 | 27.3 | 16.6 |
| **MANITOBA** | | | | | |
| Single Employable | 6,081 | 6,308 | 6,392 | 5.1 | 1.3 |
| Disabled Person | - | 6,859 | 6,772 | | -1.3 |
| Single Parent, One Child | 9,395 | 9,206 | 9,097 | -3.2 | -1.2 |
| Couple, Two Children | 14,235 | 14,940 | 16,079 | 13.0 | 7.6 |
| **SASKATCHEWAN** | | | | | |
| Single Employable | 5,091 | 5,093 | 4,980 | -2.2 | -2.2 |
| Disabled Person | - | 8,300 | 8,040 | | -3.1 |
| Single Parent, One Child | 10,445 | 10,403 | 10,110 | -3.2 | -2.8 |
| Couple, Two Children | 14,653 | 14,435 | 14,020 | -4.3 | -2.9 |

**TABLE 5 (Continued)**

| | 1986 | 1989 | 1990 | % Change 1986-1990 | % Change 1989-1990 |
|---|---|---|---|---|---|
| **ALBERTA** | | | | | |
| Single Employable | 7,244 | 5,034 | 4,803 | -33.7 | -4.6% |
| Disabled Person | - | 6,225 | 5,940 | | -4.6 |
| Single Parent, One Child | 10,607 | 9,438 | 9,006 | -15.1 | -4.6 |
| Couple, Two Children | 15,770 | 13,906 | 13,269 | -15.9 | -4.6 |
| **BRITISH COLUMBIA** | | | | | |
| Single Employable | 5,174 | 5,676 | 5,804 | 12.2 | 2.3 |
| Disabled Person | - | 7,833 | 8,104 | | 3.5 |
| Single Parent, One Child | 9,319 | 10,254 | 10,364 | 11.2 | 1.1 |
| Couple, Two Children | 12,728 | 12,807 | 12,898 | 1.3 | 0.7 |
| **YUKON** | | | | | |
| Single Employable | 6,148 | 7,421 | 7,511 | 22.2 | 1.2 |
| Disabled Person | - | 8,301 | 8,351 | | 0.6 |
| Single Parent, One Child | 11,042 | 12,266 | 12,344 | 11.8 | 0.6 |
| Couple, Two Children | 16,918 | 18,413 | 18,294 | 8.1 | -0.6 |

## Earnings Exemptions

The figures in the tables above do not take into account the fact that welfare incomes may be increased by personal earnings. Each province and territory allows welfare recipients to retain a certain amount - a flat-rate sum and/or a percentage of net earnings - without any reduction in their welfare cheques. Nova Scotia and Manitoba have earnings exemptions based on gross rather than net earnings for recipients of provincial social assistance.

These extra amounts were not included in the tables because it is not certain that recipients would actually increase their incomes by these levels. They may be unable to work or unable to find jobs.

Allowable earnings exemptions in each province and territory are presented in Table 6. The exemptions vary by family size and sometimes by employability. Some provinces also recognize work-related expenses, including child care expenses. Welfare recipients are allowed to deduct all or some of these costs from their net earnings. In effect, that means that the actual earnings exemptions in some provinces are more generous than they appear at first glance. They also provide a greater incentive for people to take paying jobs.

While provinces and territories are free to set their own earnings exemption levels, they are expected to fall within federal parameters. Prior to October 1985, the federal government would not allow cost-sharing for provincial earnings exemptions which exceeded the following levels: for a single person, the greater of $95 or 25 percent of the amount of social assistance to which the person would be entitled if he or she had no income; for a family, the greater of $190 or 25 percent of social assistance plus

the family allowance and child tax credit benefits to which the household would be entitled if it had no income.

In 1985, the federal government made special provision for cost-sharing in welfare programs with enhanced earnings exemptions. The initiative is part of the "four-corner agreements" involving the federal Ministers of Health and Welfare and Employment and Immigration and their respective provincial and territorial counterparts. The purpose of these agreements is to promote the participation of employable welfare recipients in the labour market.

Enhanced earnings exemptions are important because they provide a means for welfare recipients to improve (at least marginally) the quality of their lives. These exemptions also encourage individuals to get experience in the labour market and to gain sufficient confidence to leave the welfare system.

On the other hand, there is always the danger that provinces and territories will opt for higher earnings exemptions as a substitute for increases in basic welfare rates. In our view, that would be an abuse of the system, because it would deny adequate levels of support to welfare recipients who failed to obtain some kind of paying job through no fault of their own.

TABLE 6

MONTHLY EARNINGS EXEMPTION LEVELS AS OF DECEMBER 1990

| | Unemployable | Employable |
|---|---|---|
| Newfoundland | For adults on social assistance for reasons other than unemployment (excluding disability), $30 + 50 percent of allowable income over $30 and up to $80 a month (maximum monthly exemption of $55)<br><br>For families on social assistance for reasons other than unemployment, first $30 + 50 percent of allowable income over $30 a month and up to $200 a month (maximum monthly exemption of $115)<br><br>For a disabled adult, up to $95 a month<br><br>For a family with disabled member(s), up to $190 a month | For adults who are unemployed, 50 percent of allowable income up to $80 a month; (maximum monthly exemption of $40)<br><br>For unemployed families, 50 percent of allowable income up to $200 a month, (maximum monthly exemption of $100) |
| Prince Edward Island[1] | $50 for a single person and $100 for a family, plus ten percent of the balance of net earnings | Same |

**TABLE 6 (Continued)**

| | Unemployable | Employable |
|---|---|---|
| Nova Scotia | For a single person, $100 + 25 percent of gross wages[2] | $50 single person[3] |
| | For families, $200 + 25 percent of gross wages[2] | $100 family[3] |
| New Brunswick | $150 single person | $150 single person |
| | $200 family | $200 family |
| | | Where a recipient has been designated as having high employment potential, exemptions are increased for one person by an additional monthly amount of $250 for two months. Exemptions for a family are increased by an additional monthly amount of $200 for two months and $100 for the third month. Two-parent employable families are eligible for the $200 exemption for six months with possible extensions. |
| Quebec[4] | $100 for a single person or family | $84 for a single person or single parent; $53 for a two-parent family[5] |

TABLE 6 (Continued)

| | Unemployable | Employable |
|---|---|---|
| Ontario[6] | $160 + 20 percent over $160 of net earnings for a single disabled person | $75 + 20 percent over $75 of net earnings for a single person |
| | $185 + 20 percent over $185 of net earnings for a family with at least one disabled person | $150 + 20 percent over $150 of net earnings for a two-parent family |
| | $175 + 20 percent over $175 of net earnings for a single-parent family | $175 + 20 percent over $175 of net earnings for a single-parent family |
| Manitoba | The greater of $50 a month, 70 cents for each hour worked or 30 percent of gross monthly earnings; $50 a month up to $600 a year for newly enrolled applicants, students and self-employed persons | $120 a month; $225 for those enrolled in Wage Supplementation Program |
| Saskatchewan[7,8] | First $100 of monthly earned income + 20 percent of excess (maximum exemption $150) for a single disabled person | First $25 of monthly earned income + 20 percent of excess (maximum exemption $75) for a one-person household considered non-disabled |
| | First $125 of monthly earned income + 20 percent of excess (maximum exemption $225) for a two-person family classified as disabled | First $50 of monthly earned income + 20 percent of excess (maximum exemption of $150) for a two-person family considered non-disabled |

**TABLE 6 (Continued)**

| | Unemployable | Employable |
|---|---|---|
| Alberta | 100 percent of earnings up to \$115; 50 percent of earnings between \$116 and \$200; 25 percent of earnings between \$201 and \$300; ten percent exemption on earnings over \$300[9] | Same |
| British Columbia[10] | For an unemployable person, \$50 a month; \$100 for a single disabled person + 25 percent of net earnings in excess of \$100 | For a single employable person, a monthly exemption of \$50 + 25 percent of net earnings exceeding this amount<br><br>For households with a recipient and one or more dependents, none of whom is disabled and at least one of whom is employable, monthly exemption of \$100 + 25 percent of net earnings |
| Northwest Territories | \$50 (no dependents)<br><br>\$100 (dependents) | Same |

TABLE 6 (Continued)

| | Unemployable | Employable |
|---|---|---|
| Yukon | No exemption on net income from full-time employment (more than 20 hours a week); earnings exemption on part-time employment is the greater of 50 percent of net earnings but not exceeding 25 percent of the total of items of basic requirements necessary to maintain an applicant and dependents or $5 a month for a single person, $10 a month for a family of two and $15 a month for a family of three or more[11]<br><br>For permanent exclusions from the labour market, $25 for a single person; $50 for a married couple from sale of handicrafts or hobby materials | Same |

## NOTES TO TABLE 6

1. The earnings exemptions for welfare recipients also apply to applicants for welfare.

2. There is a total exemption of earned income for the first month of full-time employment. As of July 1990, training allowances for a full-time participant were also exempt during the first month.

3. These are the earnings exemptions for the City of Halifax.

4. The exemptions indicated here were introduced with the new income security legislation in Quebec. The exemption for unemployable recipients was calculated under the Financial Support Program while exemptions for employable recipients were calculated under the Work and Employment Incentives Program. A person who has received welfare benefits from either program for three consecutive months and then gets a job or enters a training program can have all of his or her earnings or training allowances exempted for one month. This enhanced benefit can be claimed only once in any six-month period.

5. These are the earnings exemptions for recipients classified as "participants" within the Work and Employment Incentives Program. Different levels of earnings exemptions apply to persons classified as "available," "non-available" or "non-participating."

6. These earnings exemptions were introduced as part of the Supports to Employment Program (STEP) announced by Ontario in October 1989. The exemptions are more generous than they were prior to the reform; both the flat-rate amount and the percentage component have been changed. In addition, earnings are now calculated on the basis of net income and not gross income.

7. The earnings exemptions indicated here apply to fully employable individuals only after they have been in receipt of social assistance for at least the preceding three consecutive months. Recipients in the disabled category, by contrast, are entitled to the earnings exemption from the time they receive income from salaried employment.

8. Earnings exemption levels vary by family size. Only one-person and two-person households are indicated here.

9. People who qualify for the Assured Income for the Severely Handicapped (AISH) program instead of welfare have higher earnings exemptions. Single people get an exemption of $165 a month plus 25 percent of additional earnings.

10. The enhanced exemption may be claimed no more than 18 times in a three-year period. However, disabled persons are eligible indefinitely for the enhanced exemption.

11. In lieu of an earnings exemption, full-time workers get additional payments of $50 a month: $25 for clothing and $25 for transportation.

## Conclusion

The income provided by most provincial and territorial welfare programs is grossly inadequate for the vast majority of recipients. Most welfare incomes are far below the poverty line. Although welfare recipients are among the poorest of the poor in our society, they rarely get any guaranteed protection from increases in the cost of living. Between 1986 and 1990, many recipients actually became poorer.

Welfare is a degrading experience for the vast majority of recipients. Applicants have to exhaust almost all their liquid assets to qualify for help. Welfare entitlements are determined by a labyrinth of rules and regulations that may or may not make sense. "Need" is as much a dictate of governments as it is a reflection of the cost of the necessities of life. The huge amount of discretion in the system makes it almost impossible to know whether people are being treated fairly.

The National Council of Welfare acknowledges that modest improvements have been made in some provincial and territorial welfare programs since the publication of Welfare in Canada: The Tangled Safety Net in 1987. However, the only guarantee that welfare offers consistently is poverty.

In this regard, the federal government is far from blameless. Although the setting of welfare rates is exclusively a matter of provincial jurisdiction, current federal restraints are bound to discourage many provinces from making long-overdue increases.

At issue is Ottawa's decision to limit increases in federal payments to Ontario, Alberta and British Columbia under the Canada Assistance Plan to five percent a year from the 1990-1991 fiscal year until the end of fiscal 1994-1995. The provinces challenged

the restraints, but lost when the case went to the Supreme Court of Canada.

In a decision made public on August 15, 1991, the high court used the principle of the sovereignty of Parliament in rejecting the provincial position. It ruled that the federal government has the power to alter unilaterally its cost-sharing agreements on welfare with provinces and territories.

While the legal issue has been settled, the National Council of Welfare still considers the current policy of the federal government to be bad public policy. As we said in our recent report The Canada Assistance Plan: No Time for Cuts, federal restraints on CAP payments to Ontario, Alberta and British Columbia will work against the best interests of poor people and could deter improvements in welfare and social services funded through CAP elsewhere in Canada.

Once again, we urge the federal government to reverse its position and shoulder its full share of the cost of welfare and social services in all provinces and territories.

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****************************************

National Council of Welfare
Jeanne Mance Bldg.
Ottawa K1A 0K9

| | |
|---|---|
| Director: | Ken Battle |
| Assistant Director: | Steve Kerstetter |
| Consultant: | Sherri Torjman |

# NATIONAL COUNCIL OF WELFARE

The National Council of Welfare was established by the Government Organization Act, 1969 as a citizens' advisory body to the Minister of National Health and Welfare. Its mandate is to advise the Minister on matters pertaining to welfare.

The Council consists of 21 members, drawn from across Canada and appointed by the Governor-in-Council. All are private citizens and serve in their personal capacities rather than as representatives of organizations or agencies. The membership of the Council has included past and present welfare recipients, public housing tenants and other low-income citizens, as well as lawyers, professors, social workers and others involved in voluntary service associations, private welfare agencies, and social work education.

Reports by the National Council of Welfare deal with a wide range of issues on poverty and social policy in Canada, including: income security programs, medicare, poverty lines and poverty statistics, the retirement income system, the aged, tax reform, the working poor, children in poverty, community economic development, women and poverty, employment policy, single-parent families, social services, nutrition, community organizing, child welfare, poor people's groups, legal aid/legal services, low-income consumers, poverty coverage in the press and welfare reform.

On peut se procurer des exemplaires en français de toutes les publications du Conseil national du bien-être social, en s'adressant au Conseil national du bien-être social, Immeuble Jeanne Mance
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# Welfare Incomes 1991

A Report by the
National Council of Welfare

Summer 1992

Canada

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Copies of this publication may be obtained from:
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Jeanne Mance Building
Ottawa K1A 0K9
(613) 957-2961

Également disponible en français sous le titre:
Revenus de bien-être social, 1991


Cat. No. H68-27/1992E
ISBN 0-662-19833-6

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## SUMMARY

This report is the fourth of its kind by the National Council of Welfare. It estimates welfare incomes for the year 1991 for four types of households: a single employable person, a single person with a disability, a single-parent family with a child aged two, and a two-parent family with two children aged ten and 15. Similar estimates were published in Welfare in Canada: The Tangled Safety Net, Welfare Incomes 1989 and Welfare Incomes 1990.

All four reports show that welfare incomes in all parts of Canada fall well below the poverty line. They also represent only a small fraction of average incomes. Welfare Incomes 1991 shows explicitly that some welfare recipients have seen their benefits decline in value over the years because of the lack of automatic cost-of-living increases in basic welfare rates.

By themselves, income data cannot really describe the plight of the estimated 2.3 million Canadians who survived on the inadequate allowances paid by governments in 1991. Many thousands of children from welfare families go to school hungry. Many thousands of people with disabilities face disproportionately larger problems because of the additional expenses related to their disabilities. Many thousands of single people and families live in substandard housing. Others cut back on food to be able to afford more livable accommodations.

## What is Welfare?

Social assistance or welfare is the income program of last resort in Canada. It provides financial assistance to individuals and families whose resources are inadequate to meet their needs and who have exhausted other avenues of support.

Welfare is paid under the terms of the Canada Assistance Plan, an arrangement that allows the cost to be shared by the federal government and the provinces and territories. Although people talk about welfare as a single entity, there are really 12 welfare systems in Canada - one in each province and territory. Some would say there are hundreds of welfare systems, because of the leeway allowed to municipalities which run welfare programs in Nova Scotia, Ontario and Manitoba.

Despite the fact that each of the 12 main welfare systems is different, they have many common features. They have complex rules which regulate all aspects of the system, including eligibility for assistance, the rates of assistance, the amounts recipients are allowed to keep from outside earnings, and the way in which applicants and recipients may question decisions regarding their cases.

## Eligibility

Eligibility for welfare is based on some general rules, on a determination of fixed and liquid assets, and on a shortfall in household income as measured by a "needs test."

Applicants must qualify for assistance on the basis of rules which vary widely throughout the country. For example, applicants must be of a certain age (usually between 18 and 65). Full-time students of post-secondary educational institutions may qualify for assistance only if they meet specified conditions. Single parents must try to secure any court-ordered maintenance support to which they are entitled. Individuals who are disabled require medical certification of their conditions. Strikers are not eligible in most jurisdictions. Immigrants must try to obtain financial assistance from their sponsors.

Applicants also must meet requirements concerning their fixed and liquid assets. The value of their assets cannot exceed certain levels. Otherwise, applicants are considered to be self-reliant or potentially self-reliant because they can convert their fixed assets into liquid assets.

Rules vary regarding the treatment of <u>fixed</u> assets. In most provinces, a principal residence and personal effects such as furniture and clothing are considered exempt. Most provinces exempt the value of a car, although some jurisdictions take into consideration factors such as the need for a private vehicle and the availability of public transportation. Property and equipment required for employment are generally considered exempt.

The limits on <u>liquid</u> assets (cash, bonds, securities that are readily convertible to cash, and the cash value of life insurance) vary by household size and employability.

Provinces and territories set their own maximum allowable liquid assets. If they want to qualify for cost-sharing, however, the amounts cannot exceed the maximums set by Ottawa.

The federal maximums on liquid assets are:

* $2,500 for a single person and $3,000 when an individual is aged or disabled.

* $5,000 for a person with one dependent (spouse or child) and $5,500 when the applicant or spouse is aged or disabled.

* an extra $500 for the second and each additional dependent.

* an additional amount where this has been placed in a special fund or trust for purposes that the province considers to be socially important - for example, the education of a child or the purchase of equipment to overcome a disabling condition.

The liquid assets permitted by most provinces and territories do not reach the federal maximums, and most of the levels have not changed in recent years. Liquid asset exemption levels as of December 1990 are listed in detail in <u>Welfare Incomes 1990</u>.

The maximums allowed by Ottawa and the provinces are very low and require individuals to be poor before they are eligible for financial aid. Disabled individuals in particular have expressed concern about the fact that these levels do not allow them to have a small "personal safety net" which they can use in the event of an emergency or special need.

The determination of fixed and liquid assets is part of the needs test. Under this test, the needs of a household for food, clothing, shelter and other essential items are calculated - using criteria for need as determined by provincial and territorial governments. Special needs items, if they are deemed essential to daily living or are required for a regularly recurring need, are generally included in this calculation.

The household income from various sources is identified. Some income, such as family allowances, the federal refundable child tax credit and the federal sales tax credit and GST credit, is normally considered exempt; it is not calculated as income available for the support of the applicant. Income from other sources such as employment, pensions and unemployment insurance is considered as income fully or partially available for support of the household.

Saskatchewan does not exempt family allowances. Quebec exempts government transfers, including family allowances and the child tax credit, in the calculation of benefits, but takes their value into account when setting the rates of assistance.

Total non-exempt income is subtracted from the total needs of the household. Applicants qualify if the household's needs exceed its resources or if there is a budget surplus that is insufficient to meet the cost of a special need such as medications or disability-related equipment.

The needs test is the central eligibility criterion required by the assistance provisions of the Canada Assistance Plan. The law authorizes the federal government to share the costs of welfare only on behalf of households that qualify on the basis of need.

The needs test has a significant impact upon the shape of the welfare system. The test is fairly "intrusive." Applicants must reveal a significant amount of financial and personal

information. A large bureaucracy is required, and individual welfare workers have room to make discretionary judgments in the application of welfare regulations.

By contrast, eligibility for other income support programs such as the federal refundable child tax credit and Guaranteed Income Supplement for seniors is determined by an income test. This is a simpler and more objective test based on income alone, not assets or needs. Eligibility for the refundable child tax credit, for example, is based on net family income as reported on income tax returns.

In summary, applicants are eligible for welfare if they qualify on the basis of certain general rules, if their assets fall within the guidelines on fixed and liquid assets, and if their needs exceed the financial resources available to them.

## Rates of Assistance

Every province and territory uses a different method of calculating basic social assistance, which generally includes food, clothing, shelter, utilities, and an allowance for personal and household needs.

Applicants and recipients may be eligible for extra assistance if they have special needs such as medication, prosthetic devices, technical aids and equipment, special clothing or dental care. Assistance may be provided as cash or "in kind" in the form of vouchers, goods or services.

Sometimes applicants require assistance only for a special needs item, because they are able to provide for other basic needs from their own resources. In such a case, the province or territory may grant the specific amount that the household requires.

Every province and territory has a list of special needs for which it will provide extra assistance. In some cases, only a portion of the cost of a particular item is paid. For example, the province may reimburse a certain percentage of dental costs, and the recipient is expected to pay the remaining amount.

In Ontario, municipalities may make special assistance available for households that require financial help only for designated special needs. The fact that municipalities are not required to grant such assistance has created hardship for many low-income individuals and families with special needs.

All across Canada, welfare officials have some degree of discretion in deciding whether certain households qualify for special assistance under provincial or territorial welfare regulations. Discretion is both a strength and weakness of the welfare system. On the one hand, welfare recognizes the fact that individuals may have on-going or one-time special needs for which they require assistance. On the other hand, a person with special needs may be considered eligible for extra assistance by one welfare worker, but not by another.

Table 1 presents a national picture of estimated welfare incomes for 1991. The incomes are for the basic needs of four household types: a single employable person, a single disabled person, a single-parent family with one child aged two and a two-parent family with two children aged ten and 15. To facilitate comparisons, we assumed that each of the households went on welfare on January 1, 1991, and remained on welfare for the entire calendar year.

These rates must be interpreted with caution. They are estimates of what a particular family or single person might receive. Because welfare is such a highly individualized program of income support, every recipient is potentially eligible for a different amount of financial assistance.

It is especially important to understand the derivation of the social assistance figures in Column 1. These figures are both maximum and minimum amounts.

They are maximum amounts in that they represent the highest level of welfare that a designated province will provide to a given household unit for its basic living needs. Recipients might actually receive any amount up to and including that maximum level.

At the same time, these figures are minimum amounts in that they do not generally include special needs assistance to which a given household may be entitled.

**Basic Social Assistance**

Column 1 represents the basic social assistance to which eligible households are entitled. Basic assistance generally includes an amount for food, clothing, shelter, utilities, and personal and household needs.

In order to ensure to the greatest extent possible the comparability of the data, a number of assumptions were made in calculating basic assistance. These assumptions involve the size of a municipal area, two-tier welfare systems, the employability of the recipients, accommodation, and rate increases.

**a. largest municipal area**

The rates of social assistance are for the largest municipal area in the province or territory. The shelter component of basic assistance may vary by region. Assistance may increase in more remote areas in order to compensate for higher living costs. For example, a higher supplementary fuel allowance is granted to recipients in Labrador than that provided to other residents of the province. A northern districts supplement is available to recipients of long-term assistance in Ontario. Manitoba and Saskatchewan provide a northern food allowance. The food rates in the Northwest Territories vary by region.

**b. two-tier welfare systems**

Nova Scotia, Ontario and Manitoba have two-tier welfare systems. This means that the provincial government assumes responsibility for certain recipients (generally those considered to be unemployable) while municipal governments are responsible for other categories of recipients (generally those considered to be employable).

In Nova Scotia and Manitoba, municipalities set their own levels of assistance. The welfare rates for single employable recipients and two-parent households in Table 1 are for

Halifax and Winnipeg. Rates for these households may vary in the other municipalities in these two provinces.

Ontario also has a two-tier welfare system, but municipalities must conform to a standard set of provincial rates for basic welfare assistance. There is wide variation, however, with respect to the provision of special assistance, which is the sole responsibility of Ontario municipalities.

**c. employability of recipients**

Short-term rates of assistance (which are generally lower than long-term rates) were assigned to single employable individuals in all jurisdictions. In fact, in some provinces such as British Columbia, single employable persons are eligible for assistance for one month only, after which they must renew their applications. In order to "annualize" the rates presented in Table 1, it was assumed that these people started receiving welfare on January 1, 1991, and remained on assistance throughout the entire year, even though many recipients would not actually have been eligible on such a "long-term" basis. Prince Edward Island got rid of its short-term rates altogether as of April 1, 1990.

Single disabled persons generally qualify for long-term rates of assistance. In Ontario, they are eligible for benefits under the Guaranteed Annual Income System for the Disabled (GAINS-D) program. In Alberta, disabled applicants may qualify for benefits under one of two programs - social assistance or Assured Income for the Severely Handicapped (AISH). The rates in Table 1 are for the social assistance program, although the corresponding rate of assistance for persons with severe and permanent disabilities is indicated in the accompanying footnotes.

In most cases, the single-parent family was assigned higher rates of assistance. It was generally presumed that this family was unemployable because of the young age of the child (two years). However, classification of the single-parent family actually varies throughout the country, and this variation is reflected in the calculations in Table 1.

In Saskatchewan, single parents are not required to seek employment or take training if they choose to remain at home to care for a child under one year of age. Single parents with a child over age one may be deemed unemployable if they are required to remain at home to care for a child with special problems.

In Alberta, single parents with one child over the age of four months were considered able to work in 1990. The age limit was raised to two years in February 1991.

Single parents in New Brunswick and Quebec receive the benefits paid under the employability enhancement programs in these provinces - the Upgrading, Training and Placement Program and the Work and Employment Incentives Program, respectively. The employability enhancement programs provide lower rates of assistance than long-term welfare programs.

Finally, the two-parent family with two children was considered to be employable for the purposes of these calculations. If, for some reason, the family was unemployable (for example, the family head was disabled), it would be eligible for higher rates of assistance.

**d. accommodation**

Table 1 considers welfare recipients to be renters rather than homeowners. It also assumes that there was no sharing of accommodation. In some provinces, rates of assistance are reduced when unrelated individuals share housing. Under the Work and Employment Incentives Program for employable persons in Quebec, for example, the monthly assistance cheques of two households sharing accommodation were reduced by $93 each in 1991.

Where shelter allowances do not include the cost of utilities, the latter were added to the shelter rates. Maximum allowable shelter rates were employed for all jurisdictions. A problem arose while trying to do calculations for the Northwest Territories, because there is no maximum rate scale for shelter. Actual rents are paid and these vary widely in the North. As a result, no rates of assistance are provided for the Northwest Territories in Table 1.

**e. rate increases**

Most welfare rates are not automatically increased in line with increases in the Consumer Price Index. Only Quebec indexed its rates of assistance in 1991 and then only for long-term recipients under the Financial Support Program, although the province gave other welfare recipients discretionary increases.

Most other provinces also granted discretionary increases to welfare recipients for 1991, some at the beginning of the year and others during the course of the year. The increases were incorporated in the calculations in Table 1 as of their effective dates. There were no across-the-board increases in Newfoundland, Saskatchewan and British Columbia.

**Special Assistance**

Two kinds of assistance may be provided for special needs. First, there are regularly recurring needs within certain groups, such as people with disabilities. Second, there are "one-time" special needs which are determined case by case. One-time special needs include items such as funeral expenses, moving costs or emergency home repairs.

Decisions to provide either type of special assistance are made by individual welfare workers. In some cases, approval is required from an administrator, director or designated professional such as a doctor.

Because it is impossible to know whether individuals receive special assistance and because the amount and type of help vary by household, these extra amounts have not generally been included in the calculation of estimated welfare income.

Special assistance has been incorporated in Column 2 of Table 1 only when it is automatically provided to certain recipients. Examples of special assistance include: extra assistance for disabled persons in Newfoundland and Prince Edward Island, money for school expenses in Quebec, a winter clothing allowance for families with children in Ontario, and a

lump-sum Christmas allowance and winter clothing allowance for all recipients in Yukon. The footnotes explain the nature of the special assistance in each jurisdiction.

## Family Allowances

Federal family allowances are indicated in Column 3. These are standard throughout the country except in Alberta, which varies the amount of the allowance according to the age of the child, and in Quebec, which varies the allowance by family size and age. In addition to the federal allowance, Quebec provides a supplementary family allowance. This provincial allowance is incorporated in the calculations for child-related benefits in Column 5.

Provinces normally consider family allowances as exempt income in the calculation of welfare benefits. The only exception is Saskatchewan, which deducts the value of family allowances from welfare payments. The province claims that its family welfare rates are comparable to other provinces, because family allowances are taken into account in the setting of rates. The rates of assistance presented in Column 1 for the two households with children in Saskatchewan have been reduced by the appropriate amount of family allowances.

## Child Tax Credit

The federal refundable child tax credit is indicated in Column 4. The credit goes to families of low and middle incomes with children under 18. Families with very low incomes get a prepayment of the credit each year before Christmas and the rest when they file their income tax returns in the spring.

The figures in Column 4 consist of the portion of the 1990 credit that was received after tax returns were filed in the spring of 1991 plus the prepayment of the 1991 tax credit received late in 1991.

The calculation includes the supplement to the child tax credit for low-income families with children under the age of seven which do not have receipted child care expenses.

## Child-Related Benefits

Child-related benefits refer to additional benefits that some provinces provide to low-income families with dependent children. Quebec provides a family allowance over and above the federal family allowance. Quebec also makes available a special allowance to families with children under six called the Allowance for Young Children. It was worth $9.17 a month in 1991 for the first child under six.

Manitoba provides up to $30 a month per child under the Child-Related Income Support Program (CRISP). The maximum benefit went to families with net incomes of $12,384 a year or less. For the single-parent family on provincial welfare, the CRISP benefit has been included in the rates of assistance. For the two-parent family on municipal welfare, it is indicated separately as a child-related benefit.

The Family Income Plan (FIP) in Saskatchewan provides non-taxable cash assistance for eligible families with dependent children under 18 years of age. Maximum benefits are $100 a month for each of the first three children and $90 a month for the fourth and subsequent children. The maximum benefit went to families with incomes below $8,700 a year, not including family allowances. This amount is not presented as a separate entry in Column 5 because the province includes it in the rates of assistance for families on welfare.

## Sales Tax Credit and GST Credit

Column 6 is the old federal refundable sales tax credit plus the new federal refundable credit for the Goods and Services Tax.

The sales tax credit received in 1991 was worth $140 per adult and $70 per child.

Three installments of the GST credit were paid in 1991. The three installments added up to $142.50 for each adult or the first child in a single-parent family and $75 for each other child. Single adults, including single parents, also received a single person's supplement if their 1990 incomes exceeded $6,169. The maximum supplement actually received in 1991 was $75.

## Provincial Tax Credits

The tax credits in Column 7 are the Sales Tax Credit in Quebec, the Sales and Property Tax Credits in Ontario, and the Cost of Living and Property Tax Credits in Manitoba.

## TABLE 1

## ESTIMATED WELFARE INCOME, BY TYPE OF HOUSEHOLD, 1991

| Province or Territory | Basic Social Assistance | Additional Benefits | Family Allowances | Child Tax Credit[1] | Child-Related Benefits | Sales Tax/ GST Credits[2] | Provincial Tax Credits | Total Income |
|---|---|---|---|---|---|---|---|---|
| **NEWFOUNDLAND**[3] | | | | | | | | |
| Single Employable[4] | 4,036 | | | | | 283 | | **4,319** |
| Disabled Person | 6,472 | 1,500[5] | | | | 306 | | **8,278** |
| Single Parent, One Child | 10,596 | | 407 | 788 | | 556 | | **12,347** |
| Couple, Two Children | 11,728 | | 814 | 1,164 | | 855 | | **14,561** |
| **PRINCE EDWARD ISLAND**[6] | | | | | | | | |
| Single Employable[7] | 7,644 | | | | | 298 | | **7,942** |
| Disabled Person | 7,644 | 1,080[8] | | | | 315 | | **9,039** |
| Single Parent, One Child | 10,590 | | 407 | 788 | | 558 | | **12,343** |
| Couple, Two Children | 15,690 | 175[9] | 814 | 1,164 | | 855 | | **18,698** |
| **NOVA SCOTIA**[10] | | | | | | | | |
| Single Employable | 5,904 | | | | | 283 | | **6,187** |
| Disabled Person | 8,388 | | | | | 310 | | **8,698** |
| Single Parent, One Child | 10,212 | | 407 | 788 | | 554 | | **11,961** |
| Couple, Two Children | 12,192 | 40[11] | 814 | 1,164 | | 855 | | **15,065** |
| **NEW BRUNSWICK**[12,13] | | | | | | | | |
| Single Employable | 3,000 | | | | | 283 | | **3,283** |
| Disabled Person | 5,992 | 1,800[14] | | | | 304 | | **8,096** |
| Single Parent, One Child | 8,120 | | 407 | 788 | | 526 | | **9,841** |
| Couple, Two Children | 8,888 | | 814 | 1,164 | | 855 | | **11,721** |

**TABLE 1 (Continued)**

| Province or Territory | Basic Social Assistance | Additional Benefits | Family Allowances | Child Tax Credit | Child-Related Benefits | Sales Tax/ GST Credits | Provincial Tax Credits | Total Income |
|---|---|---|---|---|---|---|---|---|
| **QUEBEC**[15,16] | | | | | | | | |
| Single Employable[17] | 5,736 | | | | | 283 | 140[18] | **6,159** |
| Disabled Person | 7,464 | | | | | 291 | 140[18] | **7,895** |
| Single Parent, One Child | 8,352 | 630[19] | 260[20] | 788 | 233[21] | 532 | 180[18] | **10,975** |
| Couple, Two Children | 11,328 | 814[22] | 748[20] | 1,164 | 287 | 855 | 230[18] | **15,426** |
| **ONTARIO**[23] | | | | | | | | |
| Single Employable | 7,416 | | | | | 289 | 378[24] | **8,083** |
| Disabled Person[25] | 10,632 | | | | | 333 | 318[24] | **11,283** |
| Single Parent, One Child | 13,884 | 102[26] | 407 | 788 | | 570 | 347[24] | **16,098** |
| Couple, Two Children | 17,952 | 393[27] | 814 | 1,164 | | 797[28] | 352[24] | **21,472** |
| **MANITOBA**[29] | | | | | | | | |
| Single Employable[30] | 5,937 | 14[31] | | | | 283 | 715[32] | **6,949** |
| Disabled Person | 6,205 | | | | | 283 | 825[32] | **7,313** |
| Single Parent, One Child | 8,545 | | 407 | 788 | | 530 | 897[32] | **11,167** |
| Couple, Two Children[30] | 15,282 | 38[31] | 814 | 1,164 | 720[33] | 855 | 939[32] | **19,812** |
| **SASKATCHEWAN**[34] | | | | | | | | |
| Single Employable | 5,100 | | | | | 283 | | **5,383** |
| Disabled Person | 7,860 | 300[35] | | | | 311 | | **8,471** |
| Single Parent, One Child[36] | 10,273 | | 407 | 788 | | 560 | | **12,028** |
| Couple, Two Children[36,37] | 14,066 | 160[38] | 814 | 1,164 | | 855 | | **17,059** |

TABLE 1 (Continued)

| Province or Territory | Basic Social Assistance | Additional Benefits | Family Allowances | Child Tax Credit | Child-Related Benefits | Sales Tax/ GST Credits | Provincial Tax Credits | Total Income |
|---|---|---|---|---|---|---|---|---|
| **ALBERTA**[39] | | | | | | | | |
| Single Employable[40] | 5,514 | | | | | 283 | | **5,797** |
| Disabled Person | 6,603 | 2,100[41] | | | | 283 | | **8,986** |
| Single Parent, One Child | 9,977 | | 322[42] | 788 | | 543 | | **11,630** |
| Couple, Two Children[40] | 15,442 | | 904[42] | 1,164 | | 855 | | **18,365** |
| **BRITISH COLUMBIA**[43] | | | | | | | | |
| Single Employable | 6,000 | 30[44] | | | | 283 | | **6,030** |
| Disabled Person | 8,328 | 30[44] | | | | 309 | | **8,667** |
| Single Parent, One Child | 10,644 | 77[44] | 407 | 788 | | 562 | | **12,478** |
| Couple, Two Children | 13,128 | 173[45] | 814 | 1,164 | | 855 | | **16,134** |
| **YUKON**[46] | | | | | | | | |
| Single Employable | 7,644 | 155[47] | | | | 301 | | **8,100** |
| Disabled Person | 7,644 | 995[48] | | | | 314 | | **8,953** |
| Single Parent, One Child | 12,348 | 572[49] | 407 | 788 | | 570 | | **14,685** |
| Couple, Two Children | 18,741 | 570[47] | 814 | 1,164 | | 745[50] | | **22,034** |
| **NORTHWEST TERRITORIES**[51] | | | | | | | | |

## NOTES TO TABLE 1

1. Families with very low incomes get the child tax credit for a given tax year in two installments: a prepayment before Christmas and the balance when they file their income tax returns. The figures in the table represent amounts actually received during the calendar year 1991. The single-parent family received $260 in the spring and $528 in November, including a supplement for a child under age seven in lieu of receipted child care expenses. The couple with children aged ten and 15 received $384 in the spring and $780 in November.

2. The federal sales tax credit in 1990 was worth $140 per adult and $70 per child. The 1990 value was used here because that is the amount that taxfilers actually received in 1991. The totals also include quarterly GST credits. The first installments for 1991 were paid in December 1990. The figures here represent the remaining three payments for 1991. The maximum GST credits actually paid in 1991 were $142.50 for each adult or the first child in a single-parent family and $75 for each child. Single adults, including single parents, also received a single person's supplement if their 1990 incomes exceeded $6,169. The maximum supplement received in 1991 was $75.

3. The last overall rate increases were introduced on May 1, 1990. The only increase in 1991 was an additional $55 a month for single parents, effective May 1. The rates also include a fuel allowance of $50 a month for November and December.

4. These rates apply to single able-bodied persons under age 50. Rates of assistance to persons over 50 are higher. Welfare officials in Newfoundland say that most single employables fall under a board and lodging rate structure instead of the rates shown here.

5. This is the flat-rate special allowance of $125 a month for a single person with a disability. It is paid only to individuals who are severely disabled and who require supportive services to aid independent living.

6. Rate changes which took effect on July 1, 1991, were incorporated in these figures.

7. The assistance to single persons appears to be relatively generous because the shelter allowance for singles is higher than that provided in other provinces. Single persons are encouraged and often required to find room and board accommodation and are paid a correspondingly lower allowance.

8. This is the special care allowance of up to $40 a month to help pay for the special needs arising from a disability and the personal comfort allowance of $50 a month for items of personal care.

9. This represents back-to-school benefits of $100 and $75 for the children.

10. The rates are based on changes that took effect on January 1, 1991, for provincial Family Benefits for the single disabled person and the single-parent family. Rates for municipal recipients for the single employable individual and the two-parent family are based on the Halifax rates for 1988. Increases to the food allowance that took effect in December 1990 are included as well. Municipal recipients in Halifax often get an additional $38 a month for work-related transportation, but the allowance is not automatic in all cases.

11. Halifax provides a $20 per child back-to-school allowance.

12. Rate changes which took effect on September 1, 1991, were incorporated in these figures.

13. The single employable person was classified in the Interim Assistance Program, the single disabled person in the Long-Term Established Needs Program, and the single-parent and two-parent families in the Upgrading, Training and Placement Program.

14. This is the maximum Assistance for the Payment of Rent or Board and Lodging Expenses of $150 a month available for low-income elderly or disabled persons. In fact, most people with disabilities receive significantly less than the maximum.

15. The single disabled person was classified under the Financial Support Program while all the other family types were classified as "non-participating" under the Work and Employment Incentives Program.

16. The rates are based on changes that took effect on January 1, 1991. The rates of assistance include adjustments that were made as a result of harmonizing the welfare system with the tax system in that province.

17. Under its new system of income security introduced in 1989, Quebec requires a parental contribution from the parents of certain employable individuals defined as "parental dependents." It is possible that the actual assistance would be lower than the rates indicated here if the recipient were classified as a parental dependent as defined by Quebec law.

18. This is the refundable Sales Tax Credit introduced by the Quebec government in 1991.

19. Recipients with dependent children are eligible for a shelter subsidy. The single-parent family was entitled to a maximum monthly subsidy of $52.50.

20. Quebec varies the amount of the federal family allowances. The province has its own system of family allowances as well; these are included under "child-related benefits."

21. This is the combined amount of the Quebec family allowances and the Allowance for Young Children.

22. This is the school expense allowance of $46 for each dependent attending primary school and $93 for each dependent in secondary school. The maximum monthly shelter subsidy of $56.25 for a family of four is included as well.

23. The figures were based on rate changes which took effect on January 1, 1991, for both the Family Benefits Program and General Welfare Assistance.

24. This represents the combined amounts of the Ontario Sales Tax and Property Tax Credits. The Property Tax Credit was calculated on the following shelter costs: $350 for a single person, $550 for the single-parent family and $650 for the two-parent family; these correspond to the maximum shelter benefits payable in each case.

25. Assistance for a single disabled person was based on the GAINS-D (Guaranteed Annual Income System for the Disabled) rates.

26. This is the winter clothing allowance of $102 paid in October for each dependent child.

27. This is the combined amount of the dependent child allowance and the winter clothing allowance paid in November on behalf of the dependent children of General Welfare Assistance recipients.

28. The federal sales tax credit was reduced by five percent of net family income (including family allowances) in excess of $18,000. The GST credit did not have to be reduced.

29. Rates for the provincial Social Allowances Program (for the single disabled person and single-parent family) were increased on January 1, 1991. Rates for the single employable person and two-parent family are based on increases for the City of Winnipeg which took effect on April 1 and October 1, 1991.

30. The clothing allowance for employable recipients is not provided until the fifth week on assistance. The City of Winnipeg also provides a monthly fuel allowance. Actual rates are paid for households that use oil for heating. For households that use gas or electricity, the fuel allowance varies by the number of rooms in the house and by season. As of October 1991,

for example, a family with a four-room house was eligible for $22 a month for June, July and August; $58 a month for September, October, April and May; and $105 a month for November through March. None of the fuel allowances has been included in the calculations here, because of the wide variations in actual payments.

31. Winnipeg provided a Christmas allowance of $13.60 per single person or family head and $8.25 for each other family member.

32. These are the Manitoba Cost of Living and Property Tax Credits.

33. Low-income families with children are eligible for a supplement from the Child-Related Income Support Program (CRISP). For the single-parent family on provincial assistance, the amount is already included in basic social assistance. For the two-parent family assisted by the City of Winnipeg, it is listed separately as a child-related benefit.

34. The rates are based on changes that took effect in 1990.

35. This represents the $25 a month special care allowance granted to disabled recipients to pay for tasks they are unable to perform themselves.

36. The rates of assistance have been reduced by the amount of federal family allowances. Saskatchewan is the only province which explicitly deducts the value of family allowances from welfare rates. Low-income families are eligible for supplements from the Family Income Plan (FIP), but the benefits are already incorporated within the welfare rates indicated here.

37. The amount is made up of three months at the short-term rate of assistance and nine months at the higher, long-term rate.

38. This represents an amount for education-related expenses: $100 for children aged 14 and over and $60 for children between the ages of six and 13.

39. Alberta's new welfare system took effect in February 1991. The rates of assistance here are based on the former system for the month of January 1991 and the new system for the rest of the year. The figures include increases in food allowances effective in January.

40. The calculations for January do not include clothing or household allowances. Under the old system, these allowances were not paid for the first three months on welfare. Our calculations, as in previous reports, assumed that the households first received welfare in January.

41. This is the handicap allowance of $175 a month.

42. Alberta varies the amounts of the federal family allowances according to the age of the child.

43. The rates are based on changes that took effect in August 1990. Since November 1988, single parents with children over six months of age receive benefits paid at the rate for unemployables, but they are expected to seek work nonetheless.

44. This is the amount of the Christmas allowance.

45. This figure represents the combined amounts of the Christmas allowance and school start-up fees.

46. Rate changes which took effect on April 1, 1991, were incorporated in these figures.

47. This represents the combined amounts of the Christmas allowance and the winter clothing allowance (both of which are payable once a year).

48. In addition to the Christmas allowance and winter clothing allowance, disabled recipients are eligible for a supplementary allowance of $70 a month if they are considered to be "permanent exclusions from the labour force."

49. In addition to the Christmas and winter clothing allowances, a weekly $6 amount for babysitting was included in the special assistance for the single-parent family.

50. The federal sales tax credit was reduced by five percent for net income over $18,000. The GST credit was not reduced.

51. The Northwest Territories are not included in this table because it was not possible to obtain average cost estimates for shelter rates in Yellowknife. Actual rents, heating and utilities are paid.

**Adequacy of Benefits**

Many of the incomes in Table 1 are abysmally low. To demonstrate just how low, we compared them with the low income cut-offs of Statistics Canada for 1991. The results are shown in Table 2.

Each year, the federal agency calculates low income cut-offs for households of different sizes living in communities of different sizes. They approximate levels of gross income where people are forced to spend disproportionate amounts of their incomes on food, shelter and clothing.

The National Council of Welfare regards the cut-offs as poverty lines. Like any poverty lines, they have their limitations, but they are widely accepted as a benchmark for judging income adequacy in Canada. Other studies of poverty, especially local surveys using a "market basket" approach, have produced comparable results.

Some provincial governments maintain that the poverty lines are an especially imperfect measure of poverty when it comes to welfare incomes, because the lines are based on pre-tax income and welfare benefits are not taxable. In reality, most of the incomes in Table 2 are so low that there is no difference between taxable and non-taxable income. For example, single employable people in New Brunswick with total incomes of $3,283 in 1991 were poor by any standard. Even if they had earned income instead of receiving welfare income, they would have been exempt from income tax because their earnings were so low.

Some provinces also contend that welfare is intended to provide only the bare necessities of life, while incomes at the level of the low income cut-offs are high enough to allow some discretionary spending as well. The National Council of Welfare has no sympathy for that argument. The fact is that the cut-offs already represent very low levels of income. The only "discretion" many welfare recipients have is whether to live in substandard housing to save money on rent or how to cut back on food when the money starts running short toward the end of the month.

As Table 2 shows, Prince Edward Island and Ontario are two provinces where welfare incomes are closer to the poverty lines than elsewhere, although still substantially below the lines. Some of the rates in other provinces, especially rates for single employables, are far below the lines. Welfare incomes which reach only one-quarter or one-third of the poverty line are unacceptably low and should be raised at the earliest possible date.

Column 1 of the table shows welfare incomes for different types of households in the ten provinces in 1991. Neither of the territories is included in this table because they are specifically excluded from the survey used to generate the cut-offs.

Column 2 indicates the poverty lines - the low income cut-offs of Statistics Canada (1986 base). The poverty gap - or difference between total income and the poverty lines - is indicated in Column 3. Column 4 represents total welfare income as a percentage of the poverty line - that is, welfare income divided by the poverty line.

Welfare incomes for single employable people were by far the least adequate, ranging from 25 percent of the poverty line in New Brunswick to 62 percent of the poverty line in Prince Edward Island. Benefits for single disabled people fell between 49 percent of the line in Manitoba and 75 percent in Ontario. Welfare incomes for single-parent families ranged from a low of 54 percent in Quebec to a high of 79 percent in Ontario. Finally, the incomes of two-parent families with two children fell between 45 percent of the poverty line in New Brunswick and 73 percent in Prince Edward Island.

On the whole, the adequacy of benefits has not improved significantly since the calculation of rates in The Tangled Safety Net.

**TABLE 2**

**ADEQUACY OF BENEFITS, 1991**

| Province | Total Income | Poverty Line | Poverty Gap | Total Welfare Income as % of Poverty Line |
|---|---|---|---|---|
| **NEWFOUNDLAND** | | | | |
| Single Employable | 4,319 | 13,132 | -8,813 | 33% |
| Disabled Person | 8,278 | 13,132 | -4,854 | 63% |
| Single Parent, One Child | 12,347 | 17,802 | -5,455 | 69% |
| Couple, Two Children | 14,561 | 26,049 | -11,488 | 56% |
| **PRINCE EDWARD ISLAND** | | | | |
| Single Employable | 7,942 | 12,829 | -4,887 | 62% |
| Disabled Person | 9,039 | 12,829 | -3,790 | 70% |
| Single Parent, One Child | 12,343 | 17,390 | -5,047 | 71% |
| Couple, Two Children | 18,698 | 25,449 | -6,751 | 73% |
| **NOVA SCOTIA** | | | | |
| Single Employable | 6,187 | 13,132 | -6,945 | 47% |
| Disabled Person | 8,698 | 13,132 | -4,434 | 66% |
| Single Parent, One Child | 11,961 | 17,802 | -5,841 | 67% |
| Couple, Two Children | 15,065 | 26,049 | -10,984 | 58% |
| **NEW BRUNSWICK** | | | | |
| Single Employable | 3,283 | 13,132 | -9,849 | 25% |
| Disabled Person | 8,096 | 13,132 | -5,036 | 62% |
| Single Parent, One Child | 9,841 | 17,802 | -7,961 | 55% |
| Couple, Two Children | 11,721 | 26,049 | -14,328 | 45% |
| **QUEBEC** | | | | |
| Single Employable | 6,159 | 14,951 | -8,792 | 41% |
| Disabled Person | 7,895 | 14,951 | -7,056 | 53% |
| Single Parent, One Child | 10,975 | 20,266 | -9,291 | 54% |
| Couple, Two Children | 15,426 | 29,661 | -14,235 | 52% |

| TABLE 2 (Continued) | | | | |
|---|---|---|---|---|
| Province | Total Income | Poverty Line | Poverty Gap | Total Welfare Income as % of Poverty Line |
| **ONTARIO** | | | | |
| Single Employable | 8,083 | 14,951 | -6,868 | 54% |
| Disabled Person | 11,283 | 14,951 | -3,668 | 75% |
| Single Parent, One Child | 16,098 | 20,266 | -4,168 | 79% |
| Couple, Two Children | 21,472 | 29,661 | -8,189 | 72% |
| **MANITOBA** | | | | |
| Single Employable | 6,949 | 14,951 | -8,002 | 46% |
| Disabled Person | 7,313 | 14,951 | -7,638 | 49% |
| Single Parent, One Child | 11,167 | 20,266 | -9,099 | 55% |
| Couple, Two Children | 19,812 | 29,661 | -9,849 | 67% |
| **SASKATCHEWAN** | | | | |
| Single Employable | 5,383 | 13,132 | -7,749 | 41% |
| Disabled Person | 8,471 | 13,132 | -4,661 | 65% |
| Single Parent, One Child | 12,028 | 17,802 | -5,774 | 68% |
| Couple, Two Children | 17,059 | 26,049 | -8,990 | 65% |
| **ALBERTA** | | | | |
| Single Employable | 5,797 | 14,951 | -9,154 | 39% |
| Disabled Person | 8,986 | 14,951 | -5,965 | 60% |
| Single Parent, One Child | 11,630 | 20,266 | -8,636 | 57% |
| Couple, Two Children | 18,365 | 29,661 | -11,296 | 62% |
| **BRITISH COLUMBIA** | | | | |
| Single Employable | 6,030 | 14,951 | -8,921 | 40% |
| Disabled Person | 8,667 | 14,951 | -6,284 | 58% |
| Single Parent, One Child | 12,478 | 20,266 | -7,788 | 62% |
| Couple, Two Children | 16,134 | 29,661 | -13,527 | 54% |

## Welfare and Average Incomes

The low level of financial support provided by social assistance is also evident when measured against average incomes. Welfare provides only a small part of the income that most Canadians would consider normal or reasonable.

Table 3 on the next page compares the welfare incomes of our four typical households with average incomes for the appropriate household type in each province.

The averages are 1991 estimates by the National Council of Welfare based on data collected by Statistics Canada in the Survey of Consumer Finances for 1990. For the single employable person and the single disabled person, we used average incomes in each province for unattached people under the age of 65. For single parents, we used the average incomes of female single parents. The size of the sample for single parents was too small to be reliable in Prince Edward Island. For the two-parent family, we used the average incomes of couples with children.

Table 3 makes it clear that welfare incomes are far below average. A single employable person on welfare received from 16 percent to 39 percent of the average income received by single people under 65. The disabled person on welfare got 32 to 45 percent of the average. Single-parent mothers had 48 to 70 percent of average incomes, but it is worth noting that average incomes for single-parent mothers in general are far below average incomes for couples with children. The two-parent family on welfare had between 24 and 41 percent of average incomes.

**TABLE 3**

**WELFARE INCOMES AS PERCENTAGE OF AVERAGE INCOMES, BY FAMILY TYPE AND PROVINCE, 1991**

| Province | Welfare Income | Estimated Average Income | Welfare Income as % of Estimated Average Income |
|---|---|---|---|
| **NEWFOUNDLAND** | | | |
| Single Employable | 4,319 | 22,928 | 19% |
| Disabled Person | 8,278 | 22,928 | 36% |
| Single Parent, One Child | 12,347 | 18,548 | 67% |
| Couple, Two Children | 14,561 | 44,814 | 32% |
| **PRINCE EDWARD ISLAND** | | | |
| Single Employable | 7,942 | 20,202 | 39% |
| Disabled Person | 9,039 | 20,202 | 45% |
| Single Parent, One Child | 12,343 | ---- | -- |
| Couple, Two Children | 18,698 | 45,601 | 41% |
| **NOVA SCOTIA** | | | |
| Single Employable | 6,187 | 22,278 | 28% |
| Disabled Person | 8,698 | 22,278 | 39% |
| Single Parent, One Child | 11,961 | 20,439 | 59% |
| Couple, Two Children | 15,065 | 52,527 | 29% |
| **NEW BRUNSWICK** | | | |
| Single Employable | 3,283 | 20,660 | 16% |
| Disabled Person | 8,096 | 20,660 | 39% |
| Single Parent, One Child | 9,841 | 18,690 | 53% |
| Couple, Two Children | 11,721 | 48,557 | 24% |
| **QUEBEC** | | | |
| Single Employable | 6,159 | 23,001 | 27% |
| Disabled Person | 7,895 | 23,001 | 34% |
| Single Parent, One Child | 10,975 | 22,733 | 48% |
| Couple, Two Children | 15,426 | 54,218 | 28% |

## TABLE 3 (Continued)

| Province | Welfare Income | Estimated Average Income | Welfare Income as % of Estimated Average Income |
|---|---|---|---|
| **ONTARIO** | | | |
| Single Employable | 8,083 | 27,520 | 29% |
| Disabled Person | 11,283 | 27,520 | 41% |
| Single Parent, One Child | 16,098 | 23,079 | 70% |
| Couple, Two Children | 21,472 | 64,194 | 33% |
| **MANITOBA** | | | |
| Single Employable | 6,949 | 22,831 | 30% |
| Disabled Person | 7,313 | 22,831 | 32% |
| Single Parent, One Child | 11,167 | 20,291 | 55% |
| Couple, Two Children | 19,812 | 51,361 | 39% |
| **SASKATCHEWAN** | | | |
| Single Employable | 5,383 | 21,071 | 26% |
| Disabled Person | 8,471 | 21,071 | 40% |
| Single Parent, One Child | 12,028 | 20,161 | 60% |
| Couple, Two Children | 17,059 | 49,889 | 34% |
| **ALBERTA** | | | |
| Single Employable | 5,797 | 25,993 | 22% |
| Disabled Person | 8,986 | 25,993 | 35% |
| Single Parent, One Child | 11,630 | 21,824 | 53% |
| Couple, Two Children | 18,365 | 58,268 | 32% |
| **BRITISH COLUMBIA** | | | |
| Single Employable | 6,030 | 26,929 | 22% |
| Disabled Person | 8,667 | 26,929 | 32% |
| Single Parent, One Child | 12,478 | 23,807 | 52% |
| Couple, Two Children | 16,134 | 63,497 | 25% |

## Provincial and Territorial Benefits Over Time

One of the major improvements in social programs during the last two decades was the introduction of indexation. Indexation is a way of guaranteeing by law that people get cost-of-living increases in their benefits on a regular basis. The most common form is annual raises that are linked to the Consumer Price Index of Statistics Canada. Increases in benefits are automatic and do not require any further legislative or administrative approval once an indexing system is in place.

Unfortunately, the federal government has all but done away with indexation in many of its programs, including child benefits. As a result, the real value of family allowances and the refundable child tax credit is declining. Lack of full indexation is also a flaw in the federal refundable sales tax credit and the GST credit.

Meanwhile, provinces and territories have generally refused to provide the benefits of indexation to poor people who are forced to fall back on welfare. People who receive benefits under Quebec's Financial Support Program were the only welfare recipients in Canada who had their benefits protected from inflation by law in 1991.

Table 4 shows that some welfare recipients have seen the value of their benefits decline over the years because of the lack of indexation. The figures for 1991 consist of benefits taken from Table 1 that are exclusively within provincial and territorial jurisdiction - in other words, total welfare incomes minus federal family allowances, the federal refundable child tax credit and the federal refundable sales tax credit and GST credit. Comparable figures for other years were calculated from Welfare Incomes 1989, Welfare Incomes 1990 and Welfare in Canada: The Tangled Safety Net.

All the dollar figures in Table 4 are expressed in constant 1991 dollars to factor out the effects of inflation and to show the real purchasing power of welfare and related benefits over time. The percentages in the last two columns show increases or decreases in real purchasing power.

The table provides comparisons of provincial and territorial benefits for 1986, 1989, 1990 and 1991 for the single employable person, the single-parent family and the two-parent family. The National Council of Welfare did not include a single person with a disability in its original calculations of welfare incomes for 1986, so the comparison for this group is limited to 1989, 1990 and 1991.

Ontario provided significant and consistent gains to all four types of households.

Quebec provided significant increases to single employables from reforms that equalized rates for people over and under 30 years of age. In 1989, for example, single able-bodied people under 30 received only $185 a month compared to $507 a month for those over 30. The figures for the single employable in Table 4 for 1986 and 1989 are for a person under age 30.

There were significant gains in Alberta between 1990 and 1991, especially for people with disabilities, but they did not totally offset the significant losses suffered in previous years.

Elsewhere, the results are a mix of gains and losses from one year to the next or from one category of recipient to another. The losses between 1990 and 1991 in Newfoundland, Saskatchewan and British Columbia are due to the lack of general increases in welfare rates during 1991.

These figures provide the best evidence to date of the additional burden welfare recipients bear when their benefits are not indexed. No other program of income support is so erratic and so unpredictable over time. Clearly, the discretionary increases granted periodically by provincial and territorial cabinets are no substitute for annual cost-of-living increases guaranteed by law. And clearly, the federal government has contributed to the financial plight of welfare recipients by providing less than full indexation of the benefits that it provides directly.

## TABLE 4

## PROVINCIAL AND TERRITORIAL WELFARE BENEFITS IN 1991 CONSTANT DOLLARS

| | 1986 | 1989 | 1990 | 1991 | % Change 1986-1991 | % Change 1990-1991 |
|---|---|---|---|---|---|---|
| **NEWFOUNDLAND** | | | | | | |
| Single Employable | 4,277 | 4,125 | 4,102 | 4,036 | -5.6% | -1.6% |
| Disabled Person | | 8,309 | 8,224 | 7,972 | | -3.1% |
| Single Parent, One Child | 10,722 | 10,501 | 10,484 | 10,596 | -1.2% | 1.1% |
| Couple, Two Children | 12,403 | 12,148 | 12,123 | 11,728 | -5.4% | -3.3% |
| **PRINCE EDWARD ISLAND** | | | | | | |
| Single Employable | 7,943 | 7,685 | 7,651 | 7,644 | -3.8% | -0.1% |
| Disabled Person | | 8,943 | 8,855 | 8,724 | | -1.5% |
| Single Parent, One Child | 10,949 | 10,594 | 10,679 | 10,590 | -3.3% | -0.8% |
| Couple, Two Children | 16,045 | 15,779 | 15,781 | 15,865 | -1.1% | 0.5% |
| **NOVA SCOTIA** | | | | | | |
| Single Employable | 5,838 | 6,509 | 6,211 | 5,904 | 1.1% | -4.9% |
| Disabled Person | | 8,568 | 8,516 | 8,388 | | -1.5% |
| Single Parent, One Child | 10,110 | 10,415 | 10,340 | 10,212 | 1.0% | -1.2% |
| Couple, Two Children | 12,169 | 13,249 | 12,661 | 12,232 | 0.5% | -3.4% |
| **NEW BRUNSWICK** | | | | | | |
| Single Employable | 2,877 | 3,113 | 3,067 | 3,000 | 4.3% | -2.2% |
| Disabled Person | | 8,156 | 8,030 | 7,792 | | -3.0% |
| Single Parent, One Child | 8,642 | 8,440 | 8,309 | 8,120 | -6.0% | -2.3% |
| Couple, Two Children | 9,349 | 9,131 | 8,976 | 8,888 | -4.9% | -1.0% |

TABLE 4 (Continued)

| | 1986 | 1989 | 1990 | 1991 | % Change 1986-1991 | % Change 1990-1991 |
|---|---|---|---|---|---|---|
| **QUEBEC** | | | | | | |
| Single Employable | 3,029 | 3,891 | 5,522 | 5,876 | 94.0% | 6.4% |
| Disabled Person | | 6,995 | 7,257 | 7,604 | | 4.8% |
| Single Parent, One Child | 10,192 | 9,059 | 8,915 | 9,395 | -7.8% | 5.4% |
| Couple, Two Children | 13,173 | 12,346 | 12,082 | 12,659 | -3.9% | 4.8% |
| **ONTARIO** | | | | | | |
| Single Employable | 6,473 | 6,959 | 7,598 | 7,794 | 20.4% | 2.6% |
| Disabled Person | | 10,047 | 10,718 | 10,950 | | 2.2% |
| Single Parent, One Child | 11,593 | 12,488 | 13,995 | 14,333 | 23.6% | 2.4% |
| Couple, Two Children | 14,430 | 15,759 | 18,363 | 18,697 | 29.6% | 1.8% |
| **MANITOBA** | | | | | | |
| Single Employable | 6,422 | 6,663 | 6,750 | 6,666 | 3.8% | -1.2% |
| Disabled Person | | 7,245 | 7,151 | 7,030 | | -1.7% |
| Single Parent, One Child | 9,922 | 9,724 | 9,606 | 9,442 | -4.8% | -1.7% |
| Couple, Two Children | 15,033 | 15,781 | 16,979 | 16,979 | 12.9% | 0.0% |
| **SASKATCHEWAN** | | | | | | |
| Single Employable | 5,376 | 5,380 | 5,259 | 5,100 | -5.1% | -3.0% |
| Disabled Person | | 8,767 | 8,490 | 8,160 | | -3.9% |
| Single Parent, One Child | 11,031 | 10,989 | 10,676 | 10,273 | -6.9% | -3.8% |
| Couple, Two Children | 15,475 | 15,248 | 14,805 | 14,226 | -8.1% | -3.9% |

TABLE 4 (Continued)

| | 1986 | 1989 | 1990 | 1991 | % Change 1986-1991 | % Change 1990-1991 |
|---|---|---|---|---|---|---|
| **ALBERTA** | | | | | | |
| Single Employable | 7,650 | 5,317 | 5,072 | 5,514 | -27.9% | 8.7% |
| Disabled Person | | 6,576 | 6,273 | 8,703 | | 38.7% |
| Single Parent, One Child | 11,202 | 9,970 | 9,510 | 9,977 | -10.9% | 4.9% |
| Couple, Two Children | 16,655 | 14,689 | 14,012 | 15,442 | -7.3% | 10.2% |
| **BRITISH COLUMBIA** | | | | | | |
| Single Employable | 5,464 | 5,996 | 6,129 | 6,030 | 10.3% | -1.6% |
| Disabled Person | | 8,274 | 8,558 | 8,358 | | -2.3% |
| Single Parent, One Child | 9,841 | 10,831 | 10,944 | 10,721 | 8.9% | -2.0% |
| Couple, Two Children | 13,442 | 13,528 | 13,620 | 13,301 | -1.0% | -2.3% |
| **YUKON** | | | | | | |
| Single Employable | 6,493 | 7,839 | 7,932 | 7,799 | 20.1% | -1.7% |
| Disabled Person | | 8,769 | 8,819 | 8,639 | | -2.0% |
| Single Parent, One Child | 11,661 | 12,956 | 13,035 | 12,920 | 10.8% | -0.9% |
| Couple, Two Children | 17,866 | 19,450 | 19,318 | 19,311 | 8.1% | 0.0% |

## Earnings Exemptions

The figures in the tables above do not take into account the fact that welfare incomes may be increased by personal earnings. Each province and territory allows welfare recipients to retain a certain amount - a flat-rate sum and/or a percentage of net earnings - without any reduction in their welfare cheques. Nova Scotia and Manitoba have earnings exemptions based on gross rather than net earnings for recipients of provincial social assistance.

These extra amounts were not included in the tables because it is not certain that recipients would actually increase their incomes by these levels. They may be unable to work or unable to find jobs.

Allowable earnings exemptions vary by family size and sometimes by employability. Some provinces also recognize work-related expenses, including child care expenses. Welfare recipients are allowed to deduct all or some of these costs from their net earnings. In effect, that means that the actual earnings exemptions in some provinces are more generous than they appear at first glance. They also provide a greater incentive for people to take paying jobs.

Details of earnings exemptions by province and territory as of December 1990 are contained in Welfare Incomes 1990.

## Conclusion

The income provided by most provincial and territorial welfare programs is grossly inadequate for the vast majority of recipients. Most welfare incomes are far below the poverty line. Although welfare recipients are among the poorest of the poor in our society, they rarely get any guaranteed protection from increases in the cost of living. Between 1986 and 1991, some recipients actually became poorer.

Welfare is a degrading experience for the vast majority of recipients. Applicants have to exhaust almost all their liquid assets to qualify for help. Welfare entitlements are determined by a labyrinth of rules and regulations that may or may not make sense. "Need" is as much a

dictate of governments as it is a reflection of the cost of the necessities of life. The huge amount of discretion in the system makes it almost impossible to know whether people are being treated fairly.

The National Council of Welfare acknowledges that modest improvements have been made in some provincial and territorial welfare programs since the publication of Welfare in Canada: The Tangled Safety Net in 1987. However, the only guarantee that welfare offers consistently is poverty.

In this regard, the federal government is far from blameless. Although the setting of welfare rates is exclusively a matter of provincial jurisdiction, current federal restraints are bound to discourage many provinces from making long-overdue increases.

At issue is Ottawa's decision to limit increases in federal payments to Ontario, Alberta and British Columbia under the Canada Assistance Plan to five percent a year from the 1990-1991 fiscal year until the end of fiscal 1994-1995. The provinces challenged the restraints, but lost when the case went to the Supreme Court of Canada.

In a decision made public on August 15, 1991, the high court used the principle of the sovereignty of Parliament in rejecting the provincial position. It ruled that the federal government has the power to alter unilaterally its cost-sharing agreements on welfare with provinces and territories.

While the legal issue has been settled, the National Council of Welfare still considers the current policy of the federal government to be bad public policy.

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## NATIONAL COUNCIL OF WELFARE

The National Council of Welfare was established by the Government Organization Act, 1969, as a citizens' advisory body to the Minister of National Health and Welfare. Its mandate is to advise the Minister on matters pertaining to welfare.

The Council consists of 21 members, drawn from across Canada and appointed by the Governor-in-Council. All are private citizens and serve in their personal capacities rather than as representatives of organizations or agencies. The membership of the Council has included past and present welfare recipients, public housing tenants and other low-income citizens, as well as lawyers, professors, social workers and others involved in voluntary service associations, private welfare agencies, and social work education.

Reports by the National Council of Welfare deal with a wide range of issues on poverty and social policy in Canada, including: income security programs, medicare, poverty lines and poverty statistics, the retirement income system, the aged, tax reform, the working poor, children in poverty, community economic development, women and poverty, employment policy, single-parent families, social services, nutrition, community organizing, child welfare, poor people's groups, legal aid/legal services, low-income consumers, poverty coverage in the press and welfare reform.

On peut se procurer des exemplaires en français de toutes les publications du Conseil national du bien-être social, en s'adressant au Conseil national du bien-être social, Pièce 1876, Immeuble Jeanne Mance, Ottawa K1A 0K9.

# Welfare Incomes 1992

A Report by the
National Council of Welfare



Spring 1993

Canada

# WELFARE INCOMES 1992

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Copies of this publication may be obtained from:
National Council of Welfare
Jeanne Mance Building
Ottawa K1A 0K9
(613) 957-2961

Également disponible en français sous le titre:
Revenus de bien-être social, 1992


Cat. No. H68-27/1992E
ISBN 0-662-20522-7

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## SUMMARY

This report is the fifth of its kind by the National Council of Welfare. It estimates welfare incomes for the year 1992 for four types of households: a single employable person, a single person with a disability, a single-parent family with a child aged two, and a two-parent family with two children aged ten and 15. Similar estimates were published in Welfare in Canada: The Tangled Safety Net, Welfare Incomes 1989, Welfare Incomes 1990 and Welfare Incomes 1991.

All five reports show that welfare incomes in all parts of Canada fall well below the poverty line. They also represent only a small fraction of average incomes. Welfare Incomes 1992 shows explicitly that some welfare recipients have seen their benefits decline in value over the years because of the lack of automatic cost-of-living increases in basic welfare rates.

By themselves, income data cannot really describe the plight of the estimated 2.7 million Canadians who survived on the inadequate allowances paid by governments in 1992. Many thousands of children from welfare families go to school hungry. Many thousands of people with disabilities face disproportionately larger problems because of the additional expenses related to their disabilities. Many thousands of single people and families live in substandard housing. Others cut back on food to be able to afford more livable accommodations.

## What is Welfare?

Social assistance or welfare is the income program of last resort in Canada. It provides financial assistance to individuals and families whose resources are inadequate to meet their needs and who have exhausted other avenues of support.

Welfare is paid under the terms of the Canada Assistance Plan, an arrangement that allows the cost to be shared by the federal government and the provinces and territories. Although people talk about welfare as a single entity, there are really 12 welfare systems in Canada - one in each province and territory. Some would say there are hundreds of welfare systems, because of the leeway allowed to municipalities which run welfare programs in Nova Scotia, Ontario and Manitoba.

Despite the fact that each of the 12 main welfare systems is different, they have many common features. They have complex rules which regulate all aspects of the system, including eligibility for assistance, the rates of assistance, the amounts recipients are allowed to keep from outside earnings, and the way in which applicants and recipients may question decisions regarding their cases.

## Eligibility

Eligibility for welfare is based on some general rules, on a determination of fixed and liquid assets, and on a shortfall in household income as measured by a "needs test."

Applicants must qualify for assistance on the basis of rules which vary widely throughout the country. For example, applicants must be of a certain age (usually between 18 and 65). Full-time students of post-secondary educational institutions may qualify for assistance in some provinces only if they meet specified conditions. In other provinces, they cannot apply for assistance without leaving their studies. Single parents must try to secure any court-ordered maintenance support to which they are entitled. Individuals who are disabled require medical certification of their conditions. Strikers are not eligible in most jurisdictions. Immigrants must try to obtain financial assistance from their sponsors.

Applicants also must meet requirements concerning their fixed and liquid assets. The value of their non-exempt assets cannot exceed certain levels. Otherwise, applicants are considered to be self-reliant or potentially self-reliant because they can convert their fixed assets into liquid assets.

Rules vary regarding the treatment of fixed assets. In most provinces, a principal residence and personal effects such as furniture and clothing are considered exempt. Most provinces exempt the value of a car, although some jurisdictions take into consideration factors such as the need for a private vehicle and the availability of public transportation. Property and equipment required for employment are generally considered exempt.

The limits on liquid assets (cash, bonds and securities that are readily convertible to cash, and the cash value of life insurance in some provinces) are shown in Table 1 that follows. The amounts vary by household size and employability.

Provinces and territories set their own maximum allowable liquid assets. If they want to qualify for cost-sharing, however, the amounts cannot exceed the maximums set by Ottawa.

The federal maximums on liquid assets are:

* $2,500 for a single person and $3,000 when an individual is aged or disabled.

* $5,000 for a person with one dependent (spouse or child) and $5,500 when the applicant or spouse is aged or disabled.

* an extra $500 for the second and each additional dependent.

* an additional amount where this has been placed in a special fund or trust for purposes that the province considers to be socially important - for example, the education of a child or the purchase of equipment to overcome a disabling condition.

## TABLE 1

## LIQUID ASSET EXEMPTION LEVELS AS OF JANUARY 1992

| | Unemployable | | | Employable | |
|---|---|---|---|---|---|
| | Single Person | Single Parent, One Dependent | Single, Disabled | Single Person | Family |
| Newfoundland | $2,500 | $5,000 | $3,000 | $40 | $100 |
| Prince Edward Island | **[1] | $1,200 | $900 | $50[2] | $50[2] |
| Nova Scotia | $1,500 | $2,500 | $3,000 | Municipalities generally require liquid assets to be expended to meet basic needs. | |
| New Brunswick | $500 | $1,000 | $1,000 | $500 | $1,000 |
| Quebec | **[3] | **[3] | $2,500[3] | $1,500 | $2,500 |
| Ontario | $2,500[4] | $5,000[4] | $3,000[4] | Municipal welfare administrators determine the level of liquid assets a person may have and still be eligible for assistance. | |
| | | | | Assets equal to 1-2 weeks' assistance may be exempted (or 1-3 months' assistance in the case of a temporarily unemployable person). Maximum exemptions ($2,500 for single and $5,000 for a couple plus $500 per dependent) may apply to households to be transferred to long-term assistance. | Assets equal to 1-3 months' assistance. |

**TABLE 1 (Continued)**

| | Unemployable | | | Employable | |
|---|---|---|---|---|---|
| | Single Person | Single Parent, One Dependent | Single, Disabled | Single Person | Family |
| Manitoba[5] | $1,000 | $2,000 | $2,000 | Each municipality establishes the amount of liquid assets an applicant may retain. | |
| Saskatchewan[6] | $1,500 | $3,000 | $1,500 | $1,500 | $3,000 |
| Alberta | $1,500 | $2,500 | $3,000[7] | $50 cash plus the equivalent of $1,450 in cash assets | $250 cash plus the equivalent of $2,250 in cash assets |
| British Columbia | $2,500[8] | $5,000 | $3,000 | $2,500 | $5,000 |
| Northwest Territories | The value of any assets that should not be converted into cash for sound social or economic reasons (in the Director's opinion) is exempt from the inclusion as a personal resource. | | | | |
| Yukon | $500 | $1,800 | $1,500 | $100[9] | $200[9] |

## NOTES TO TABLE 1

1. Applicants would not be considered unemployable unless they were disabled.

2. This level applies to unemployed applicants who require assistance for less than four months. Liquid asset exemption levels for persons on assistance for four months or more are $200 for a single person and up to $2,400 for a family depending on family size.

3. Applicants would not be considered unemployable unless they were disabled. Families that qualify under the Financial Support Program get a $5,000 exemption.

4. The director may permit households in receipt of Family Benefits to exceed the maximum exemption level by no more than ten percent. This exception applies only to current beneficiaries and not to applicants.

5. Manitoba has a distinct set of rules pertaining to persons owning or operating farms.

6. In August 1992, Saskatchewan introduced an exemption on inheritances and bequests not exceeding $1,500 for a recipient with no dependents and $3,000 for a recipient with one dependent plus $500 for each additional dependent.

7. This level applies to persons who are severely and permanently disabled as defined under the Assured Income for the Severely Handicapped (AISH) program.

8. This applies to recipients under age 55. The liquid asset exemption for recipients 55 and older is $3,000.

9. This level applies to persons on assistance for less than 90 days. Higher levels are permitted for those on assistance for more than 90 days.

The liquid assets permitted by British Columbia match the federal maximums. Newfoundland and Ontario allow applicants for long-term assistance to have liquid assets that match federal levels, while Newfoundland, Nova Scotia, Ontario and Alberta permit the maximum levels for people with disabilities. Federal guidelines were last changed in July 1980.

The maximums allowed by Ottawa and the provinces are very low and require individuals to be virtually penniless before they are eligible for financial aid. Disabled individuals in particular have expressed concern about the fact that these levels do not allow them to have a small "personal safety net" which they can use in the event of an emergency or special need.

The determination of fixed and liquid assets is part of the needs test. Under this test, the needs of a household for food, clothing, shelter and other essential items are calculated - using criteria for need as determined by provincial and territorial governments. Special needs items, if they are deemed essential to daily living or are required for a regularly recurring need, are generally included in this calculation.

The household income from various sources is identified. Some income, such as family allowances, the federal refundable child tax credit and the GST credit, is normally considered exempt; it is not calculated as income available for the support of the applicant. Income from other sources such as employment, pensions and unemployment insurance is considered as income fully or partially available for support of the household.

Total non-exempt income is subtracted from the total needs of the household. Applicants qualify if the household's needs exceed its resources or if there is a budget surplus that is insufficient to meet the cost of a special need such as medications or disability-related equipment.

The needs test is the central eligibility criterion required by the assistance provisions of the Canada Assistance Plan. The law authorizes the federal government to share the costs of welfare only on behalf of households that qualify on the basis of need.

The needs test has a significant impact upon the shape of the welfare system. The test is fairly "intrusive." Applicants must reveal a significant amount of financial and personal

information. A large bureaucracy is required, and individual welfare workers have room to make discretionary judgments in the application of welfare regulations.

By contrast, eligibility for other income support programs such as the federal refundable child tax credit and Guaranteed Income Supplement for seniors is determined by an income test. This is a simpler and more objective test based on income alone, not assets or needs. Eligibility for the refundable child tax credit, for example, is based on net family income as reported on income tax returns.

In summary, applicants are eligible for welfare if they qualify on the basis of certain general rules, if their assets fall within the guidelines on fixed and liquid assets, and if their needs exceed the financial resources available to them.

## Rates of Assistance

Every province and territory uses a different method of calculating basic social assistance, which generally includes food, clothing, shelter, utilities, and an allowance for personal and household needs.

Applicants and recipients may be eligible for extra assistance in most provinces if they have special needs such as medication, prosthetic devices, technical aids and equipment, special clothing or dental care. Assistance may be provided as cash or "in kind" in the form of vouchers, goods or services.

Sometimes applicants require assistance only for a special needs item, because they are able to provide for other basic needs from their own resources. In such a case, the province or territory may grant the specific amount that the household requires, provided that the applicant is eligible under the needs test.

Every province and territory has a list of special needs for which it will provide extra assistance. In some cases, only a portion of the cost of a particular item is paid. For example, the province may reimburse a certain percentage of dental costs, and the recipient is expected to pay the remaining amount.

In Ontario, municipalities may make special assistance available for households that require financial help only for designated special needs. The fact that municipalities are not required to grant such assistance has created hardship for many low-income individuals and families with special needs. As of October 1, 1991, transportation required for medical treatment, surgical supplies and dressings, and diabetic supplies were reclassified as "special necessities." The change in designation means that these items must be provided to all welfare recipients who qualify - even recipients in municipalities which do not normally provide this kind of benefit. The Ontario government agreed to pick up a larger share of the cost of these items from municipal governments.

All across Canada, welfare officials have some degree of discretion in deciding whether certain households qualify for special assistance under provincial or territorial welfare regulations. Discretion is both a strength and weakness of the welfare system. On the one hand, welfare recognizes the fact that individuals may have on-going or one-time special needs for which they require assistance. On the other hand, a person with special needs may be considered eligible for extra assistance by one welfare worker, but not by another.

Table 2 presents a national picture of estimated welfare incomes for 1992. The incomes are for the basic needs of four household types: a single employable person, a single disabled person, a single-parent family with one child aged two and a two-parent family with two children aged ten and 15. To facilitate comparisons, we assumed that each of the households went on welfare on January 1, 1992, and remained on welfare for the entire calendar year.

These rates must be interpreted with caution. They are estimates of what a particular family or single person might receive. Because welfare is such a highly individualized program of income support, every recipient is potentially eligible for a different amount of financial assistance.

It is especially important to understand the derivation of the social assistance figures in Column 1. These figures are both maximum and minimum amounts.

They are maximum amounts in that they represent the highest level of welfare that a designated province will provide to a given household unit for its basic living needs. Recipients might actually receive any amount up to and including that maximum level.

At the same time, these figures are minimum amounts in that they do not generally include special needs assistance to which a given household may be entitled.

## Basic Social Assistance

Column 1 represents the basic social assistance to which eligible households are entitled. Basic assistance generally includes an amount for food, clothing, shelter, utilities, and personal and household needs.

In order to ensure to the greatest extent possible the comparability of the data, a number of assumptions were made in calculating basic assistance. These assumptions involve the size of a municipal area, two-tier welfare systems, the employability of the recipients, accommodation, and rate increases.

### a. largest municipal area

The rates of social assistance are for the largest municipal area in the province or territory. The shelter component of basic assistance may vary by region. Assistance may increase in more remote areas in order to compensate for higher living costs. For example, a higher supplementary fuel allowance is granted to recipients in Labrador than that provided to other residents of the province. A northern districts supplement is available to recipients of long-term assistance in Ontario. Manitoba and Saskatchewan provide a supplementary northern food allowance. The food rates in the Northwest Territories vary by region.

### b. two-tier welfare systems

Nova Scotia, Ontario and Manitoba had two-tier welfare systems in 1992. This means that the provincial government assumed responsibility for certain recipients (generally those considered to be unemployable) while municipal governments were responsible for other categories of recipients (generally those considered to be employable).

In Nova Scotia and Manitoba, municipalities set their own levels of assistance. The welfare rates for single employable recipients and two-parent households in Table 1 were for Halifax and Winnipeg. Rates for these households varied in the other municipalities in these two provinces.

Ontario also had a two-tier welfare system, but municipalities had to conform to a standard set of rates for basic welfare assistance which were set by the province. There was wide variation, however, with respect to the provision of special assistance, which is the sole responsibility of Ontario municipalities.

Ontario is drafting legislation to integrate provincial and municipal welfare programs. Manitoba has moved to standardize welfare rates, although the new minimum rates are not as high as the rates paid by the City of Winnipeg. There have been few changes in Nova Scotia, despite repeated complaints about the inequities of the province's two-tier system.

### c. employability of recipients

Short-term rates of assistance (which are generally lower than long-term rates) were assigned to single employable individuals in all jurisdictions except Prince Edward Island. In fact, in some provinces, single employable persons are eligible for assistance for one month only, after which they must renew their applications. In order to "annualize" the rates presented in Table 2, it was assumed that these people started receiving welfare on January 1, 1992, and remained on assistance throughout the entire year, even though many recipients would not actually have been eligible on such a "long-term" basis. P.E.I. got rid of its short-term rates altogether as of April 1, 1990.

Single disabled persons generally qualify for long-term rates of assistance. In Ontario, they are eligible for benefits under the Guaranteed Annual Income System for the Disabled (GAINS-D) program. In Alberta, disabled applicants may qualify for benefits under one of two programs - social assistance or Assured Income for the Severely Handicapped (AISH). The rates in Table 2 are for the social assistance program, although the corresponding rate of assistance for persons with severe and permanent disabilities is indicated in the accompanying footnotes.

In most cases, the single-parent family was assigned higher rates of assistance. It was generally presumed that this family was unemployable because of the young age of the child (two years). However, classification of the single-parent family actually varies throughout the country, and this variation is reflected in the calculations in Table 2.

As of August 1992, single parents in Saskatchewan are not required to seek employment or take training if they choose to remain at home to care for a child under the age of six.

In Alberta, single parents with children under the age of two are considered unavailable for work or training.

Single parents in New Brunswick and Quebec receive the benefits paid under the employability enhancement programs in these provinces - the Upgrading, Training and Placement Program and the Work and Employment Incentives Program, respectively. The employability enhancement programs provide lower rates of assistance than long-term welfare programs.

Finally, the two-parent family with two children was considered to be employable for the purposes of these calculations. If, for some reason, the family was unemployable (for example, the family head was disabled), it would be eligible for higher rates of assistance.

**d. accommodation**

Table 2 considers welfare recipients to be renters rather than homeowners. It also assumes that there was no sharing of accommodation. In all provinces, rates of assistance are reduced when unrelated individuals share housing. Under the Work and Employment Incentives Program for employable persons in Quebec, for example, the monthly assistance cheques of two households sharing accommodation were reduced by $98 each in 1992.

Where shelter allowances do not include the cost of utilities, the latter were added to the shelter rates. Maximum allowable shelter rates were employed for all jurisdictions. A problem arose while trying to do calculations for the Northwest Territories, because there is no maximum

rate scale for shelter. Actual rents are paid and these vary widely in the North. As a result, no rates of assistance are provided for the Northwest Territories in Table 2.

e. rate increases

Most welfare rates are not automatically increased in line with increases in the Consumer Price Index. Only Quebec indexed its rates of assistance in 1992 and then only for long-term recipients under the Financial Support Program, although the province gave other welfare recipients discretionary increases that covered increases in the cost of living.

Most other provinces also granted discretionary increases to welfare recipients for 1992, some at the beginning of the year and others during the course of the year. The increases were incorporated in the calculations in Table 2 as of their effective dates. There were no across-the-board increases in Nova Scotia, Alberta and Yukon in 1992.

## Special Assistance

Two kinds of assistance may be provided for special needs. First, there are regularly recurring needs within certain groups, such as people with disabilities. Second, there are "one-time" special needs which are determined case by case. One-time special needs include items such as funeral expenses, moving costs or emergency home repairs.

Decisions to provide either type of special assistance are made by individual welfare workers. In some cases, approval is required from an administrator, director or designated professional such as a doctor.

Because it is impossible to know whether individuals receive special assistance and because the amount and type of help vary by household, these extra amounts have not been included in the calculation of estimated welfare income.

Special assistance has been incorporated in Column 2 of Table 2 only when it is automatically provided to certain recipients. Examples of special assistance include: extra

assistance for disabled persons, money for school expenses, winter clothing allowances for families with children and Christmas allowances. The footnotes explain the nature of the special assistance in each jurisdiction.

## Family Allowances

Federal family allowances are indicated in Column 3. These are standard throughout the country except in Alberta, which varies the amount of the allowance according to the age of the child, and in Quebec, which varies the allowance by family size and age. In addition to the federal allowance, Quebec provides a supplementary family allowance. This provincial allowance is incorporated in the calculations for child-related benefits in Column 5.

Provinces normally consider family allowances as exempt income in the calculation of welfare benefits. The only exception is Saskatchewan, which deducts the value of family allowances from welfare payments. The province claims that its family welfare rates are comparable to other provinces, because family allowances are taken into account in the setting of rates. The rates of assistance presented in Column 1 for the two households with children in Saskatchewan have been reduced by the appropriate amount of family allowances.

## Child Tax Credit

The federal refundable child tax credit is indicated in Column 4. The credit goes to families of low and middle incomes with children under 18. Families with very low incomes get a prepayment of the credit each year before Christmas and the rest when they file their income tax returns in the spring.

The figures in Column 4 consist of the portion of the 1991 credit that was received after tax returns were filed in the spring of 1992 plus the prepayment of the 1992 tax credit received late in 1992.

The calculation includes the supplement to the child tax credit for low-income families with children under the age of seven which do not have receipted child care expenses.

## Child-Related Benefits

Child-related benefits refer to additional benefits that some provinces provide to low-income families with dependent children. Quebec provides a family allowance over and above the federal family allowance. Quebec also makes available a special allowance to families with children under six called the Allowance for Young Children. It was worth $9.58 a month in 1992 for the first child under six.

Manitoba provides up to $30 a month per child under the Child-Related Income Support Program (CRISP). The maximum benefit went to families with net incomes of $12,384 a year or less. For the single-parent family on provincial welfare, the CRISP benefit has been included in the rates of assistance. For the two-parent family on municipal welfare, it is indicated separately as a child-related benefit.

The Family Income Plan (FIP) in Saskatchewan provides non-taxable cash assistance for eligible families with dependent children under 18 years of age. Maximum benefits are $100 a month for each of the first three children and $90 a month for the fourth and subsequent children. The maximum benefit went to families with incomes below $8,700 a year, not including family allowances. This amount is not presented as a separate entry in Column 5 because the province includes it in the rates of assistance for families on welfare.

## GST Credit

Column 6 is the federal refundable credit for the Goods and Services Tax. The former federal sales tax credit ended in 1991.

The GST credit is paid quarterly. The four payments received in 1992 added up to a maximum of $191.50 for each adult or the first child in a single-parent family. For other dependent children, the total for the year was a maximum of $101 a child.

Single adults, including single parents, also received a single person's supplement if their 1991 incomes exceeded $6,280. The maximum supplement for 1992 was $102.

## Provincial Tax Credits

The tax credits in Column 7 are the Sales Tax Credit in Quebec, the Sales and Property Tax Credits in Ontario, and the Cost of Living and Property Tax Credits in Manitoba.

In 1992, Manitoba announced that recipients of provincial social allowances - people with disabilities and single-parent families, for example - would receive their tax credits as monthly payments added to their welfare cheques. Recipients of municipal welfare will continue to receive them once a year at income tax time. Table 2 includes the credits for the tax year 1991 which were received in the spring of 1992 by all four households. For the single person with a disability and the single-parent family, the monthly installments of the credits for the 1992 tax year are incorporated in Column 1 and the credits for 1991 appear in Column 7.

## TABLE 2

## ESTIMATED WELFARE INCOME, BY TYPE OF HOUSEHOLD, 1992

| Province or Territory | Basic Social Assistance | Additional Benefits | Family Allowances | Child Tax Credit[1] | Child-Related Benefits | GST Credit[2] | Provincial Tax Credits | Total Income |
|---|---|---|---|---|---|---|---|---|
| **NEWFOUNDLAND[3]** | | | | | | | | |
| Single Employable[4] | 4,301 | | | | | 192 | | **4,493** |
| Disabled Person | 6,773 | 1,500[5] | | | | 225 | | **8,498** |
| Single Parent, One Child | 11,198 | | 419 | 807 | | 472 | | **12,895** |
| Couple, Two Children | 12,119 | | 837 | 1,192 | | 585 | | **14,733** |
| **PRINCE EDWARD ISLAND[6]** | | | | | | | | |
| Single Employable[7] | 7,872 | | | | | 216 | | **8,088** |
| Disabled Person | 7,872 | 1,092[8] | | | | 238 | | **9,202** |
| Single Parent, One Child | 10,920 | | 419 | 807 | | 474 | | **12,619** |
| Couple, Two Children | 16,128 | 175[9] | 837 | 1,192 | | 585 | | **18,917** |
| **NOVA SCOTIA[10]** | | | | | | | | |
| Single Employable | 5,904 | | | | | 192 | | **6,096** |
| Disabled Person | 8,400 | | | | | 232 | | **8,632** |
| Single Parent, One Child | 10,368 | | 419 | 807 | | 467 | | **12,060** |
| Couple, Two Children | 12,392 | 40[11] | 837 | 1,192 | | 585 | | **15,046** |
| **NEW BRUNSWICK[12,13]** | | | | | | | | |
| Single Employable | 3,048 | | | | | 192 | | **3,240** |
| Disabled Person | 6,120 | 1,800[14] | | | | 221 | | **8,141** |
| Single Parent, One Child | 8,304 | | 419 | 807 | | 426 | | **9,956** |
| Couple, Two Children | 9,318 | | 837 | 1,192 | | 585 | | **11,932** |

**TABLE 2 (Continued)**

| Province or Territory | Basic Social Assistance | Additional Benefits | Family Allowances | Child Tax Credit | Child-Related Benefits | GST Credit | Provincial Tax Credits | Total Income |
|---|---|---|---|---|---|---|---|---|
| **QUEBEC**[15,16] | | | | | | | | |
| Single Employable[17] | 5,844 | | | | | 192 | 150[18] | **6,186** |
| Disabled Person | 7,656 | | | | | 210 | 150[18] | **8,016** |
| Single Parent, One Child | 9,540 | 648[19] | 268[20] | 807 | 243[21] | 459 | 192[18] | **12,157** |
| Couple, Two Children | 11,652 | 847[22] | 769[20] | 1,192 | 299[23] | 585 | 252[18] | **15,596** |
| **ONTARIO**[24] | | | | | | | | |
| Single Employable | 7,812 | | | | | 209 | 374[25] | **8,395** |
| Disabled Person[26] | 10,992 | | | | | 271 | 310[25] | **11,573** |
| Single Parent, One Child | 14,376 | 104[27] | 419 | 807 | | 484 | 337[25] | **16,527** |
| Couple, Two Children | 18,576 | 402[28] | 837 | 1,192 | | 585 | 418[25] | **22,010** |
| **MANITOBA**[29] | | | | | | | | |
| Single Employable[30] | 6,177 | 14[31] | | | | 192 | 715[32] | **7,098** |
| Disabled Person[33,34] | 7,951 | | | | | 192 | 825[32] | **8,968** |
| Single Parent, One Child[33] | 9,721 | | 419 | 807 | | 434 | 897[32] | **12,278** |
| Couple, Two Children[30] | 16,044 | 38[31] | 837 | 1,192 | 720[35] | 585 | 939[32] | **20,355** |
| **SASKATCHEWAN**[36] | | | | | | | | |
| Single Employable | 5,375 | | | | | 192 | | **5,567** |
| Disabled Person | 7,710 | 500[37] | | | | 229 | | **8,439** |
| Single Parent, One Child | 10,311[38] | | 419 | 807 | | 470 | | **12,007** |
| Couple, Two Children | 14,523[38] | 160[39] | 837 | 1,192 | | 585 | | **17,297** |

**TABLE 2 (Continued)**

| Province or Territory | Basic Social Assistance | Additional Benefits | Family Allowances | Child Tax Credit | Child-Related Benefits | GST Credit | Provincial Tax Credits | Total Income |
|---|---|---|---|---|---|---|---|---|
| **ALBERTA**[40] | | | | | | | | |
| Single Employable | 5,640 | | | | | 192 | | **5,832** |
| Disabled Person[41] | 6,660 | | | | | 195 | | **6,855** |
| Single Parent, One Child | 10,104 | | 331[42] | 807 | | 455 | | **11,697** |
| Couple, Two Children | 15,696 | | 929[42] | 1,192 | | 585 | | **18,402** |
| **BRITISH COLUMBIA**[43] | | | | | | | | |
| Single Employable | 6,275 | 33[44] | | | | 192 | | **6,500** |
| Disabled Person | 8,823 | 33[44] | | | | 232 | | **9,088** |
| Single Parent, One Child | 11,293 | 80[44] | 419 | 807 | | 477 | | **13,075** |
| Couple, Two Children | 14,206 | 183[45] | 837 | 1,192 | | 585 | | **17,003** |
| **YUKON**[46] | | | | | | | | |
| Single Employable | 7,740 | 155[47] | | | | 220 | | **8,115** |
| Disabled Person | 7,740 | 995[48] | | | | 237 | | **8,972** |
| Single Parent, One Child | 12,540 | 572[49] | 419 | 807 | | 484 | | **14,822** |
| Couple, Two Children | 19,080 | 685[50] | 837 | 1,192 | | 585 | | **22,379** |
| **NORTHWEST TERRITORIES**[51] | | | | | | | | |

## NOTES TO TABLE 2

1. Families with very low incomes get the child tax credit for a given tax year in two installments: a prepayment before Christmas and the balance when they file their income tax returns. The figures in the table represent amounts actually received during the calendar year 1992. The single-parent family received $264 in the spring and $543 in November, including a supplement for a child under age seven in lieu of receipted child care expenses. The couple with children aged ten and 15 received $390 in the spring and $802 in November.

2. The GST credit is paid in quarterly installments. In 1992, adults and the first child in a single-parent family received maximum payments of $47.50 each in January and April 1992 and $48.25 each in July and October 1992. The maximum rate for a child was $25 in January and April and $25.50 in July and October. The special GST supplement for single persons and single-parent families is included in the totals for the year. The 1992 figures are smaller than the figures in <u>Welfare Incomes 1991</u>, because the 1991 totals included both the GST credit and the previous federal sales tax credit.

3. Rate changes which took effect on April 1, 1992, were incorporated in these figures. The totals include a fuel allowance of $50 a month from January through April and $51 a month for November and December.

4. These rates apply to single able-bodied persons under age 50. Rates of assistance to persons over 50 are higher. Welfare officials in Newfoundland say that most single employables fall under a board and lodging rate structure instead of the rates shown here.

5. This is the flat-rate special allowance of $125 a month for a single person with a disability. It is paid only to individuals who are severely disabled and who require supportive services to aid independent living.

6. Rate changes which took effect on July 1, 1992, were incorporated in these figures.

7. The assistance to single persons appears to be relatively generous because the shelter allowance for singles is higher than that provided in other provinces. Single persons are encouraged and often required to find room and board accommodation and are paid a correspondingly lower allowance.

8. This is the special care allowance of up to $40 a month to help pay for the special needs arising from a disability and the personal comfort allowance of $51 a month for items of personal care.

9. This represents back-to-school benefits of $100 and $75 for the children.

10. The rates are based on changes that took effect on August 1, 1991, for provincial Family Benefits for the single disabled person and the single-parent family. Rates for municipal recipients for the single employable individual and the two-parent family are based on the Halifax rates that have not gone up across the board since December 1990. Municipal recipients in Halifax often get an additional $42 a month for work-related transportation, but the allowance is not automatic in all cases.

11. Halifax provides a $20 per child back-to-school allowance.

12. Rate changes which took effect on October 1, 1992, were incorporated in these figures.

13. The single employable person was classified in the Interim Assistance Program, the single disabled person in the Long-Term Established Needs Program, and the single-parent and two-parent families in the Upgrading, Training and Placement Program.

14. This is the maximum Assistance for Reduction of Rental Costs of $150 a month available for low-income elderly or disabled persons. In fact, most people with disabilities receive significantly less than the maximum.

15. The single disabled person was classified under the Financial Support Program. The single-parent family was classified as "not available" under the Work and Employment Incentives Program, and the others were classified as "not participating."

16. The rates are based on changes that took effect on January 1 and July 1, 1992. The rates of assistance include adjustments that were made as a result of harmonizing the welfare system with the tax system in Quebec.

17. Under its new system of income security introduced in 1989, Quebec requires a parental contribution from the parents of certain employable individuals defined as "parental dependents." It is possible that the actual assistance would be lower than the rates indicated here if the recipient were classified as a parental dependent as defined by Quebec law.

18. This is the refundable Sales Tax Credit introduced by the Quebec government in 1991.

19. Recipients with dependent children are eligible for a shelter subsidy. The single-parent family was entitled to a maximum monthly subsidy of $54.

20. Quebec varies the amount of the federal family allowances according to the age of the child and the number of children in a family. The province has its own system of family allowances as well; these are included under "child-related benefits."

21. This is the combined amount of the Quebec family allowances and the Allowance for Young Children.

22. This is the school expense allowance of $46 for each dependent attending primary school and $93 for each dependent in secondary school. The maximum monthly shelter subsidy of $59 for a family of four is included as well.

23. This is the Quebec family allowance.

24. The figures were based on rate changes which took effect on January 1 and July 1, 1992, for both the Family Benefits Program and General Welfare Assistance.

25. This represents the combined amounts of the Ontario Sales Tax and Property Tax Credits. The Property Tax Credit was calculated on the following shelter costs: $385 for a single person, $605 for the single-parent family and $715 for the two-parent family; these correspond to the maximum shelter benefits payable in each case.

26. Assistance for a single disabled person was based on the GAINS-D (Guaranteed Annual Income System for the Disabled) rates.

27. This is the winter clothing allowance of $104 for each dependent child.

28. This is the combined amount of the back-to-school allowances ($68 for the ten-year-old child and $126 for the 15-year-old) and the winter clothing allowance of $104 a child paid on behalf of the dependent children of General Welfare Assistance recipients.

29. Rates for the provincial Social Allowances Program (for the single disabled person and single-parent family) were increased on January 1, 1992. Rates for the single employable person and two-parent family incorporate increases by the City of Winnipeg which took effect on October 1, 1992.

30. The clothing allowance for employable recipients is not provided until the fifth week on assistance.

31. Winnipeg provided a Christmas allowance of $13.60 per single person or family head and $8.25 for each other family member.

32. These are the Manitoba Cost of Living and Property Tax Credits.

33. Rates of assistance for the single person with a disability went up $68.80 a month on January 1, 1992, and rates for the single-parent family went up $74.80. These amounts represent the value of the Manitoba tax credits that were added to monthly welfare cheques instead of being paid once a year.

34. In addition to the basic and supplementary rate increases on January 1, 1992, there was an increase for the single person with a disability of $60 a month.

35. Low-income families with children are eligible for a supplement from the Child-Related Income Support Program (CRISP). For the single-parent family on provincial assistance, the amount is already included in basic social assistance. For the two-parent family assisted by the City of Winnipeg, it is listed separately as a child-related benefit.

36. Shelter and utility allowances were last increased on August 1, 1990. Allowances for food, clothing, household expenses and personal needs went up on August 1, 1992.

37. An additional allowance of $40 a month for people with disabilities, effective August 1, 1992, is included in the total. The total also includes a special care allowance of $25 a month for disabled recipients to pay for tasks they are unable to perform themselves.

38. The rates of assistance have been reduced by the amount of federal family allowances. Saskatchewan is the only province which explicitly deducts the value of family allowances from welfare rates. Low-income families are eligible for supplements from the Family Income Plan, but the benefits are already incorporated within the welfare rates indicated here.

39. This represents an amount for education-related expenses: $100 for children aged 14 and over and $60 for children between the ages of six and 13.

40. The last increases in rates took effect on February 1, 1991, when Alberta's new welfare system came into being.

41. Persons who are severely and permanently disabled and whose needs exceed the amount provided under the Assured Income for the Severely Handicapped program ($796 a month) are eligible for special allowances of up to $3,000 a month to help pay the costs of personal supports as well as a handicap allowance of $175 a month.

42. Alberta varies the amounts of the federal family allowances according to the age of the child.

43. The figures incorporate increases that took effect on February 1, 1992.

44. This is a Christmas allowance of $33 for single person or $70 a family plus $9.50 for each child in the family.

45. This figure represents the combined amount of the Christmas allowance of $89 and school start-up fees of $39 for a child between the ages of five and 11 and $55 for a child 12 and older.

46. The last rate increases in Yukon were on April 1, 1991.

47. This represents the combined amounts of the Christmas allowance of $30 a person and winter clothing allowances of $75 for children under age 14 and $125 for adults and children 14 and older.

48. In addition to the Christmas allowance and winter clothing allowance, disabled recipients are eligible for a supplementary allowance of $70 a month if they are considered to be "permanent exclusions from the labour force."

49. In addition to the Christmas and winter clothing allowances, a weekly $6 amount for babysitting was included in the special assistance for the single-parent family.

50. This includes Christmas allowances, winter clothing allowances and school supply allowances of $50 and $65.

51. The Northwest Territories are not included in this table because it was not possible to obtain average cost estimates for shelter rates in Yellowknife. Actual rents, heating and utilities are paid.

**Adequacy of Benefits**

Many of the incomes in Table 2 are abysmally low. To demonstrate just how low, we compared them with the low income cut-offs of Statistics Canada for 1992. The results are shown in Table 3.

Each year, the federal agency calculates low income cut-offs for households of different sizes living in communities of different sizes. They approximate levels of gross income where people are forced to spend disproportionate amounts of their incomes on food, shelter and clothing.

The National Council of Welfare regards the cut-offs as poverty lines. Like any poverty lines, they have their limitations, but they are widely accepted as a benchmark for judging income adequacy in Canada. Other studies of poverty, especially local surveys using a "market basket" approach, have produced comparable results.

Some provincial governments maintain that the poverty lines are an especially imperfect measure of poverty when it comes to welfare incomes, because the lines are based on pre-tax income and welfare benefits are not taxable. In reality, most of the incomes in Table 3 are so low that there is no difference between taxable and non-taxable income. For example, single employable people in New Brunswick with total incomes of $3,240 in 1992 were poor by any standard. Even if they had earned income instead of receiving welfare income, they would have been exempt from income tax because their earnings were so low.

Some provinces also contend that welfare is intended to provide only the bare necessities of life, while incomes at the level of the low income cut-offs are high enough to allow some discretionary spending as well. The National Council of Welfare has no sympathy for that argument. The fact is that the cut-offs already represent very low levels of income. The only "discretion" many welfare recipients have is whether to live in substandard housing to save money on rent or how to cut back on food when the money starts running short toward the end of the month.

As Table 3 shows, Prince Edward Island and Ontario are two provinces where welfare incomes are closer to the poverty lines than elsewhere, although still substantially below the

lines. Some of the rates in other provinces, especially rates for single employables, are far below the lines. Welfare incomes which reach only one-quarter or one-third of the poverty line are unacceptably low and should be raised at the earliest possible date.

Column 1 of the table shows welfare incomes for different types of households in the ten provinces in 1992. Neither of the territories is included in this table because they are specifically excluded from the survey used to generate the cut-offs.

Column 2 indicates the poverty lines - the low income cut-offs of Statistics Canada (1986 base). The poverty gap - or difference between total income and the poverty lines - is indicated in Column 3. Column 4 represents total welfare income as a percentage of the poverty line - that is, welfare income divided by the poverty line.

Welfare incomes for single employable people were by far the least adequate, ranging from 24 percent of the poverty line in New Brunswick to 62 percent of the poverty line in Prince Edward Island. Benefits for single disabled people fell between 45 percent of the line in Alberta and 76 percent in Ontario. Welfare incomes for single-parent families ranged from a low of 55 percent in New Brunswick to a high of 80 percent in Ontario. Finally, the incomes of two-parent families with two children fell between 45 percent of the poverty line in New Brunswick and 73 percent in Prince Edward Island and Ontario.

On the whole, the adequacy of benefits has not improved significantly since the calculation of rates in The Tangled Safety Net.

## TABLE 3

## ADEQUACY OF BENEFITS, 1992

| Province | Total Income | Poverty Line | Poverty Gap | Total Welfare Income as % of Poverty Line |
|---|---|---|---|---|
| **NEWFOUNDLAND** | | | | |
| Single Employable | 4,493 | 13,328 | -8,835 | 34% |
| Disabled Person | 8,498 | 13,328 | -4,830 | 64% |
| Single Parent, One Child | 12,895 | 18,068 | -5,173 | 71% |
| Couple, Two Children | 14,733 | 26,439 | -11,706 | 56% |
| **PRINCE EDWARD ISLAND** | | | | |
| Single Employable | 8,088 | 13,021 | -4,933 | 62% |
| Disabled Person | 9,202 | 12,021 | -3,819 | 71% |
| Single Parent, One Child | 12,619 | 17,650 | -5,031 | 71% |
| Couple, Two Children | 18,917 | 25,830 | -6,913 | 73% |
| **NOVA SCOTIA** | | | | |
| Single Employable | 6,096 | 13,328 | -7,232 | 46% |
| Disabled Person | 8,632 | 13,328 | -4,696 | 65% |
| Single Parent, One Child | 12,060 | 18,068 | -6,008 | 67% |
| Couple, Two Children | 15,046 | 26,439 | -11,393 | 57% |
| **NEW BRUNSWICK** | | | | |
| Single Employable | 3,240 | 13,328 | -10,088 | 24% |
| Disabled Person | 8,141 | 13,328 | -5,187 | 61% |
| Single Parent, One Child | 9,956 | 18,068 | -8,112 | 55% |
| Couple, Two Children | 11,932 | 26,439 | -14,507 | 45% |
| **QUEBEC** | | | | |
| Single Employable | 6,186 | 15,175 | -8,989 | 41% |
| Disabled Person | 8,016 | 15,175 | -7,159 | 53% |
| Single Parent, One Child | 12,157 | 20,569 | -8,412 | 59% |
| Couple, Two Children | 15,596 | 30,105 | -14,509 | 52% |

**TABLE 3 (Continued)**

| Province | Total Income | Poverty Line | Poverty Gap | Total Welfare Income as % of Poverty Line |
|---|---|---|---|---|
| **ONTARIO** | | | | |
| Single Employable | 8,395 | 15,175 | -6,780 | 55% |
| Disabled Person | 11,573 | 15,175 | -3,602 | 76% |
| Single Parent, One Child | 16,527 | 20,569 | -4,042 | 80% |
| Couple, Two Children | 22,010 | 30,105 | -8,095 | 73% |
| **MANITOBA** | | | | |
| Single Employable | 7,098 | 15,175 | -8,077 | 47% |
| Disabled Person | 8,968 | 15,175 | -6,207 | 59% |
| Single Parent, One Child | 12,278 | 20,569 | -8,291 | 60% |
| Couple, Two Children | 20,355 | 30,105 | -9,750 | 68% |
| **SASKATCHEWAN** | | | | |
| Single Employable | 5,567 | 13,328 | -7,761 | 42% |
| Disabled Person | 8,439 | 13,328 | -4,889 | 63% |
| Single Parent, One Child | 12,007 | 18,068 | -6,061 | 66% |
| Couple, Two Children | 17,297 | 26,439 | -9,142 | 65% |
| **ALBERTA** | | | | |
| Single Employable | 5,832 | 15,175 | -9,343 | 38% |
| Disabled Person | 6,855 | 15,175 | -8,320 | 45% |
| Single Parent, One Child | 11,697 | 20,569 | -8,872 | 57% |
| Couple, Two Children | 18,402 | 30,105 | -11,703 | 61% |
| **BRITISH COLUMBIA** | | | | |
| Single Employable | 6,500 | 15,175 | -8,675 | 43% |
| Disabled Person | 9,088 | 15,175 | -6,087 | 60% |
| Single Parent, One Child | 13,075 | 20,569 | -7,494 | 64% |
| Couple, Two Children | 17,003 | 30,105 | -13,102 | 56% |

## Welfare and Average Incomes

The low level of financial support provided by social assistance is also evident when measured against average incomes. Welfare provides only a small part of the income that most Canadians would consider normal or reasonable.

Table 4 on the next page compares the welfare incomes of our four typical households with average incomes for the appropriate household type in each province.

The averages are 1992 estimates by the National Council of Welfare based on data collected by Statistics Canada in the Survey of Consumer Finances for 1991. For the single employable person and the single disabled person, we used average incomes in each province for unattached people under the age of 65. For single parents, we used the average incomes of female single parents. The size of the sample for single parents was too small to be reliable in Newfoundland and Prince Edward Island. For the two-parent family, we used the average incomes of couples with children.

Table 4 makes it clear that welfare incomes are far below average. A single employable person on welfare received from 15 percent to 45 percent of the average income received by single people under 65. The disabled person on welfare got 26 to 51 percent of the average. Single-parent mothers had 50 to 73 percent of average incomes, but it is worth noting that average incomes for single-parent mothers in general are far below average incomes for couples with children. The two-parent family on welfare had between 23 and 41 percent of average incomes.

## TABLE 4

### WELFARE INCOMES AS PERCENTAGE OF AVERAGE INCOMES, BY FAMILY TYPE AND PROVINCE, 1992

| Province | Welfare Income | Estimated Average Income | Welfare Income as % of Estimated Average Income |
|---|---|---|---|
| **NEWFOUNDLAND** | | | |
| Single Employable | 4,493 | 19,212 | 23% |
| Disabled Person | 8,498 | 19,212 | 44% |
| Single Parent, One Child | 12,895 | ---- | -- |
| Couple, Two Children | 14,733 | 47,497 | 31% |
| **PRINCE EDWARD ISLAND** | | | |
| Single Employable | 8,088 | 18,033 | 45% |
| Disabled Person | 9,202 | 18,033 | 51% |
| Single Parent, One Child | 12,619 | ---- | -- |
| Couple, Two Children | 18,917 | 49,887 | 38% |
| **NOVA SCOTIA** | | | |
| Single Employable | 6,096 | 21,148 | 29% |
| Disabled Person | 8,632 | 21,148 | 41% |
| Single Parent, One Child | 12,060 | 19,770 | 61% |
| Couple, Two Children | 15,046 | 51,674 | 29% |
| **NEW BRUNSWICK** | | | |
| Single Employable | 3,240 | 22,290 | 15% |
| Disabled Person | 8,141 | 22,290 | 37% |
| Single Parent, One Child | 9,956 | 18,959 | 53% |
| Couple, Two Children | 11,932 | 51,905 | 23% |
| **QUEBEC** | | | |
| Single Employable | 6,186 | 22,690 | 27% |
| Disabled Person | 8,016 | 22,690 | 35% |
| Single Parent, One Child | 12,157 | 24,185 | 50% |
| Couple, Two Children | 15,596 | 55,759 | 28% |

**TABLE 4 (Continued)**

| Province | Welfare Income | Estimated Average Income | Welfare Income as % of Estimated Average Income |
|---|---|---|---|
| **ONTARIO** | | | |
| Single Employable | 8,395 | 27,757 | 30% |
| Disabled Person | 11,573 | 27,757 | 42% |
| Single Parent, One Child | 16,527 | 22,585 | 73% |
| Couple, Two Children | 22,010 | 67,508 | 33% |
| **MANITOBA** | | | |
| Single Employable | 7,098 | 22,198 | 32% |
| Disabled Person | 8,968 | 22,198 | 40% |
| Single Parent, One Child | 12,278 | 22,630 | 54% |
| Couple, Two Children | 20,355 | 50,204 | 41% |
| **SASKATCHEWAN** | | | |
| Single Employable | 5,567 | 21,980 | 25% |
| Disabled Person | 8,439 | 21,980 | 38% |
| Single Parent, One Child | 12,007 | 20,413 | 59% |
| Couple, Two Children | 17,297 | 51,787 | 33% |
| **ALBERTA** | | | |
| Single Employable | 5,832 | 25,904 | 23% |
| Disabled Person | 6,855 | 25,904 | 26% |
| Single Parent, One Child | 11,697 | 22,841 | 51% |
| Couple, Two Children | 18,402 | 62,783 | 29% |
| **BRITISH COLUMBIA** | | | |
| Single Employable | 6,500 | 25,061 | 26% |
| Disabled Person | 9,088 | 25,061 | 36% |
| Single Parent, One Child | 13,075 | 24,586 | 53% |
| Couple, Two Children | 17,003 | 64,812 | 26% |

**Provincial and Territorial Benefits Over Time**

One of the major improvements in social programs during the last two decades was the introduction of indexation. Indexation is a way of guaranteeing by law that people get cost-of-living increases in their benefits on a regular basis. The most common form is annual raises that are linked to the Consumer Price Index of Statistics Canada. Increases in benefits are automatic and do not require any further legislative or administrative approval once an indexing system is in place.

Unfortunately, the federal government has done away with full indexation in many of its programs, including child benefits. Lack of full indexation is also a flaw in the federal refundable GST credit.

Meanwhile, provinces and territories have generally refused to provide the benefits of indexation to poor people who are forced to fall back on welfare. People who receive benefits under Quebec's Financial Support Program were the only welfare recipients in Canada who had their benefits protected from inflation by law in 1992.

Table 5 shows that some welfare recipients have seen the value of their benefits decline over the years because of the lack of indexation. The figures for 1992 consist of benefits taken from Table 2 that are exclusively within provincial and territorial jurisdiction - in other words, total welfare incomes minus federal family allowances, the federal refundable child tax credit and the GST credit. Comparable figures for other years were calculated from Welfare Incomes 1989, Welfare Incomes 1990, Welfare Incomes 1991 and Welfare in Canada: The Tangled Safety Net.

All the dollar figures in Table 5 are expressed in constant 1992 dollars to factor out the effects of inflation and to show the real purchasing power of welfare and related benefits over time. The percentages in the last two columns show increases or decreases in real purchasing power.

The table provides comparisons of provincial and territorial benefits for 1986, 1989, 1990, 1991 and 1992 for the single employable person, the single-parent family and the two-parent family. The National Council of Welfare did not include a single person with a disability

in its original calculations of welfare incomes for 1986, so the comparison for this group is limited to 1989, 1990, 1991 and 1992.

Between 1991 and 1992, most welfare recipients saw their incomes and their purchasing power increase, although the increases were generally modest. The declines between 1991 and 1992 are largely attributable to the lack of across-the-board increases in welfare rates in Nova Scotia, Alberta and Yukon.

The 1992 increases in Manitoba are explained partly by rate increases and partly by the change in the system for paying provincial tax credits to recipients of provincial welfare. The single person with a disability and the single-parent family in Table 5 received both their 1991 and 1992 provincial tax credits during 1992.

For the period from 1986 to 1992, the picture is somewhat different. Ontario had the largest and most consistent gains overall, but long-term increases in British Columbia and Yukon are also worth noting.

The most significant increase in Quebec was the increase in rates for the single employable person. That came about as a result of reforms that raised welfare rates for single employable people under 30 to the same level as the rates for people 30 and over. In 1989, for example, the rate for single people under 30 worked out to $2,220 a year, while the rate for single people 30 and over was $6,084.

The largest declines in welfare incomes over the years occurred in Alberta. Despite the significant increases in benefits that accompanied welfare reform in 1991, three of the households in the table were noticeably worse off in 1992 than in 1986.

Overall, Table 5 shows a mix of gains and losses from one year to the next or from one category of recipient to another. No other program of income support is so erratic and so unpredictable over time. Clearly, the discretionary increases granted periodically by provincial and territorial cabinets are no substitute for annual cost-of-living increases guaranteed by law. And clearly, the federal government has contributed to the financial plight of welfare recipients by providing less than full indexation of the benefits that it provides directly.

## TABLE 5

## PROVINCIAL AND TERRITORIAL WELFARE BENEFITS IN 1992 CONSTANT DOLLARS

| | 1986 | 1989 | 1990 | 1991 | 1992 | % Change 1986-1992 | % Change 1991-1992 |
|---|---|---|---|---|---|---|---|
| **NEWFOUNDLAND** | | | | | | | |
| Single Employable | 4,341 | 4,184 | 4,164 | 4,097 | 4,301 | -0.9% | 5.0% |
| Disabled Person | | 8,429 | 8,349 | 8,092 | 8,273 | | 2.2% |
| Single Parent, One Child | 10,883 | 10,653 | 10,643 | 10,755 | 11,198 | 2.9% | 4.1% |
| Couple, Two Children | 12,590 | 12,324 | 12,307 | 11,904 | 12,119 | -3.7% | 1.8% |
| **PRINCE EDWARD ISLAND** | | | | | | | |
| Single Employable | 8,063 | 7,796 | 7,767 | 7,759 | 7,872 | -2.4% | 1.5% |
| Disabled Person | | 9,073 | 8,989 | 8,855 | 8,964 | | 1.2% |
| Single Parent, One Child | 11,114 | 10,747 | 10,841 | 10,749 | 10,920 | -1.7% | 1.6% |
| Couple, Two Children | 16,287 | 16,007 | 16,020 | 16,103 | 16,303 | 0.1% | 1.2% |
| **NOVA SCOTIA** | | | | | | | |
| Single Employable | 5,926 | 6,603 | 6,306 | 5,993 | 5,904 | -0.4% | -1.5% |
| Disabled Person | | 8,692 | 8,645 | 8,514 | 8,400 | | -1.3% |
| Single Parent, One Child | 10,262 | 10,565 | 10,497 | 10,365 | 10,368 | 1.0% | 0.0% |
| Couple, Two Children | 12,353 | 13,440 | 12,853 | 12,415 | 12,432 | 0.6% | 0.1% |
| **NEW BRUNSWICK** | | | | | | | |
| Single Employable | 2,921 | 3,158 | 3,113 | 3,045 | 3,048 | 4.4% | 0.1% |
| Disabled Person | | 8,274 | 8,151 | 7,909 | 7,920 | | 0.1% |
| Single Parent, One Child | 8,772 | 8,562 | 8,434 | 8,242 | 8,304 | -5.3% | 0.8% |
| Couple, Two Children | 9,490 | 9,263 | 9,112 | 9,021 | 9,318 | -1.8% | 3.3% |

## TABLE 5 (Continued)

| | 1986 | 1989 | 1990 | 1991 | 1992 | % Change 1986-1991 | % Change 1990-1991 |
|---|---|---|---|---|---|---|---|
| **QUEBEC** | | | | | | | |
| Single Employable | 3,074 | 3,947 | 5,605 | 5,964 | 5,994 | 95.0% | 0.5% |
| Disabled Person | | 7,096 | 7,367 | 7,718 | 7,806 | | 1.1% |
| Single Parent, One Child | 10,345 | 9,590 | 10,227 | 10,352 | 10,623 | 2.7% | 2.6% |
| Couple, Two Children | 13,371 | 12,525 | 12,265 | 12,849 | 13,050 | -2.4% | 1.6% |
| **ONTARIO** | | | | | | | |
| Single Employable | 6,570 | 7,059 | 7,713 | 7,911 | 8,186 | 24.6% | 3.5% |
| Disabled Person | | 10,192 | 10,881 | 11,114 | 11,302 | | 1.7% |
| Single Parent, One Child | 11,767 | 12,669 | 14,207 | 14,548 | 14,817 | 25.9% | 1.8% |
| Couple, Two Children | 14,647 | 15,987 | 18,641 | 18,977 | 19,396 | 32.4% | 2.2% |
| **MANITOBA** | | | | | | | |
| Single Employable | 6,519 | 6,759 | 6,852 | 6,766 | 6,906 | 5.9% | 2.1% |
| Disabled Person | | 7,350 | 7,260 | 7,135 | 8,776 | | 23.0% |
| Single Parent, One Child | 10,071 | 9,864 | 9,752 | 9,584 | 10,618 | 5.4% | 10.8% |
| Couple, Two Children | 15,259 | 16,009 | 17,237 | 17,234 | 17,741 | 16.3% | 2.9% |
| **SASKATCHEWAN** | | | | | | | |
| Single Employable | 5,457 | 5,458 | 5,339 | 5,176 | 5,375 | -1.5% | 3.8% |
| Disabled Person | | 8,894 | 8,619 | 8,282 | 8,210 | | -0.9% |
| Single Parent, One Child | 11,197 | 11,148 | 10,838 | 10,427 | 10,311 | -7.9% | -1.1% |
| Couple, Two Children | 15,708 | 15,468 | 15,029 | 14,439 | 14,683 | -6.5% | 1.7% |

**TABLE 5 (Continued)**

| | 1986 | 1989 | 1990 | 1991 | 1992 | % Change 1986-1991 | % Change 1990-1991 |
|---|---|---|---|---|---|---|---|
| **ALBERTA** | | | | | | | |
| Single Employable | 7,765 | 5,394 | 5,149 | 5,597 | 5,640 | -27.4% | 0.8% |
| Disabled Person | | 6,671 | 6,368 | 6,702 | 6,660 | | -0.6% |
| Single Parent, One Child | 11,370 | 10,114 | 9,654 | 10,127 | 10,104 | -11.1% | -0.2% |
| Couple, Two Children | 16,905 | 14,901 | 14,224 | 15,674 | 15,696 | -7.2% | 0.1% |
| **BRITISH COLUMBIA** | | | | | | | |
| Single Employable | 5,547 | 6,082 | 6,222 | 6,120 | 6,308 | 13.7% | 3.1% |
| Disabled Person | | 8,393 | 8,687 | 8,483 | 8,856 | | 4.4% |
| Single Parent, One Child | 9,989 | 10,987 | 11,110 | 10,882 | 11,373 | 13.9% | 4.5% |
| Couple, Two Children | 13,644 | 13,723 | 13,827 | 13,501 | 14,389 | 5.4% | 6.6% |
| **YUKON** | | | | | | | |
| Single Employable | 6,591 | 7,952 | 8,052 | 7,916 | 7,895 | 19.8% | -0.3% |
| Disabled Person | | 8,895 | 8,952 | 8,769 | 8,735 | | -0.4% |
| Single Parent, One Child | 11,836 | 13,144 | 13,233 | 13,114 | 13,112 | 10.8% | 0.0% |
| Couple, Two Children | 18,135 | 19,731 | 19,611 | 19,601 | 19,765 | 9.0% | 0.8% |

## Earnings Exemptions

The figures in the tables above do not take into account the fact that welfare incomes may be increased by personal earnings. Each province and territory allows welfare recipients to retain a certain amount - a flat-rate sum and/or a percentage of net earnings - without any reduction in their welfare cheques. Nova Scotia and Manitoba have earnings exemptions based on gross rather than net earnings for recipients of provincial social assistance.

These extra amounts were not included in the tables because it is not certain that recipients would actually increase their incomes by these levels. They may be unable to work or unable to find jobs.

Allowable earnings exemptions in each province and territory are presented in Table 6. The exemptions vary by family size and sometimes by employability. All provinces recognize work-related expenses, including child care expenses in most cases. Welfare recipients are allowed to deduct all or some of these costs from their net earnings. In effect, that means that the actual earnings exemptions in some provinces are more generous than they appear at first glance. They also provide a greater incentive for people to take paying jobs.

While provinces and territories are free to set their earnings exemption levels, they are expected to fall within federal parameters. Prior to October 1985, the federal government would not allow cost-sharing for provincial earnings exemptions which exceeded the following levels: for a single person, the greater of $95 or 25 percent of the amount of social assistance to which the person would be entitled if he or she had no income; for a family, the greater of $190 or 25 percent of social assistance plus the family allowance and child tax credit benefits to which the household would be entitled if it had no income.

In 1985, the federal government made special provision for cost-sharing in welfare programs with enhanced earnings exemptions. The initiative is part of the "four-corner agreements" involving the federal Ministers of Health and Welfare and Employment and Immigration and their respective provincial and territorial counterparts. The purpose of these agreements is to promote the participation of employable welfare recipients in the labour market.

Enhanced earnings exemptions are important because they provide a means for welfare recipients to improve (at least marginally) the quality of their lives. These exemptions also encourage individuals to get experience in the labour market and to gain sufficient confidence to leave the welfare system.

On the other hand, there is always the danger that provinces and territories will opt for higher earnings exemptions as a substitute for increases in basic welfare rates. In our view, that would be an abuse of the system, because it would deny adequate levels of support to welfare recipients who failed to obtain some kind of paying job through no fault of their own.

## TABLE 6

## MONTHLY EARNINGS EXEMPTIONS LEVELS AS OF JANUARY 1992

| | Unemployable | Employable |
|---|---|---|
| Newfoundland[1] | For adults on social assistance for reasons other than unemployment (excluding disability), \$30 + 50% of allowable income over \$30 and up to \$80 a month (maximum monthly exemption of \$55)<br><br>For families on social assistance for reasons other than unemployment, first \$30 + 50% of allowable income over \$30 a month and up to \$200 a month (maximum monthly exemption of \$115)<br><br>For disabled adult, up to \$95 a month<br><br>For family with disabled member(s), up to \$190 a month | For adults who are unemployed, 50% of allowable income up to \$80 a month (maximum monthly exemption of \$40)<br><br>For unemployed families, 50% of allowable income up to \$200 a month (maximum monthly exemption of \$100) |
| Prince Edward Island[2] | \$50 for a single person or \$100 for a family plus 10% of the balance of net wages for both households | Same |
| Nova Scotia | For single persons, \$100 + 25% of gross earnings or training incentives[3]<br><br>For families, \$200 + 25% of gross earnings or training incentives[3]<br><br>For people with disabilities who are in training programs, an additional \$100 for singles and \$75 for people with children[3] | \$50 single person[4]<br><br>\$100 family[4] |

**TABLE 6 (Continued)**

| | Unemployable | Employable |
|---|---|---|
| New Brunswick | \$150 single person<br><br>\$200 family | \$150 single person<br><br>\$200 family<br><br>Where a recipient has been designated as having high employment potential, exemptions are increased for one person by an additional monthly amount of \$250 for two months. Exemptions for a family are increased by an additional monthly amount of \$200 for two months and \$100 for the third month. Two-parent employable families are eligible for the \$200 exemption for six months with allowable extensions. |
| Quebec[5] | \$100 for single person or family | \$161 for single person or single parent<br><br>\$195 for two-parent family |
| Ontario[6] | \$160 + 25% over \$160 of net earnings for single disabled person[7]<br><br>\$185 + 25% over \$185 of net earnings for disabled family[7]<br><br>\$175 + 25% over \$175 of net earnings for single-parent family | \$75 + 25% over \$75 of net earnings for single person<br><br>\$150 + 25% over \$150 of net earnings for two-parent family<br><br>\$175 + 25% over \$175 of net earnings for single-parent family |

**TABLE 6 (Continued)**

| | Unemployable | Employable |
|---|---|---|
| Manitoba | The greater of $50 a month, 70 cents for each hour worked or 30% of gross monthly earnings; for newly enrolled applicants, students and self-employed persons, $50 a month up to $600 a year | $125 a month; $240 for those enrolled in Wage Supplementation Program |
| Saskatchewan[8,9] | First $100 of monthly earned income + 20% of excess (maximum exemption $150) for single disabled person<br><br>First $125 of monthly earned income + 20% of excess (maximum exemption $225) for two-person family classified as disabled | First $25 of monthly earned income + 20% of excess (maximum exemption $75) for single person considered non-disabled<br><br>First $50 of monthly earned income + 20% of excess (maximum exemption of $150) for two-person family considered non-disabled |
| Alberta | 100% of earnings up to $115; 50% of earnings between $116-200; 25% of earnings between $201-$300; 10% exemption on earnings over $300[10] | Same |
| British Columbia[11] | $100 a month; $200 a month for recipients with dependents; $200 a month for recipients of Handicapped Benefits (Recipients may choose to be classified as employable if they would benefit from the enhanced earnings exemption.) | $100 for a single person and $200 for recipients with dependents (Employable recipients are eligible for an additional exemption of 25% of net earnings over these flat-rate amounts.)[12,13] |
| Northwest Territories | $50 (no dependents)<br><br>$100 (dependents) | Same |

**TABLE 6 (Continued)**

| | Unemployable | Employable |
|---|---|---|
| Yukon | No exemption on net income from full-time employment (more than 20 hours a week); earnings exemption on part-time employment is the greater of 50% of net earnings but not exceeding 25% of the total of items of basic requirements necessary to maintain an applicant and dependents or \$5 a month for a single person, \$10 a month for a family of two and \$15 a month for a family of three or more[14]<br><br>For permanent exclusions from the labour market, \$25 for a single person; \$50 for a married couple from sale of handicrafts or hobby materials | Same |

## NOTES TO TABLE 6

1. Newfoundland now allows the deduction from earnings of babysitting or day care costs up to a maximum of $260 a month if necessary for employment. The same exemptions apply to applicants for welfare.

2. The earnings exemptions for welfare recipients also apply to applicants for welfare.

3. There is a total exemption of earned income for the first month of full-time employment. Training allowances for full-time participants were also exempt during the first month.

4. There are the earnings exemptions for the City of Halifax.

5. The exemption for unemployable persons was calculated under the Financial Support Program while the exemptions for employable persons were calculated under the "non-participating" category of the Work and Employment Incentives Program. People who have received welfare benefits from either program for three consecutive months and then find a job or enter a training program can have all earnings or training allowances exempted for one month. This enhanced benefit can be claimed only once in any six-month period.

6. These earnings exemptions are part of the Supports To Employment Program (STEP), a series of measures designed to encourage participation in the paid labour force. Ontario allows deductions for child care expenses up to the actual amount for <u>licensed</u> care and up to $390 a month for children under six and $346 for children six through 12 for <u>unlicensed</u> care. As of August 1992, the basic and supplementary exemptions are no longer allowable for the purpose of determining eligibility for welfare for the first three months of assistance; they apply only from the fourth month of assistance.

7. Persons with disabilities eligible for GAINS-D (Guaranteed Annual Income for the Disabled) are entitled to an additional deduction of up to $140 a month for work expenses related to their disabilities.

8. The earnings exemptions indicated here apply to fully employable individuals only after they have been in receipt of assistance for at least the preceding three consecutive months. Recipients who are not entirely able to work or who are considered disabled, by contrast, are entitled to the earnings exemption from the time they receive income from salaried employment.

9. Earnings exemption levels vary by family size. Only one-person and two-person households are indicated here.

10. Persons who qualify for the Assured Income for the Severely Handicapped (AISH) program have higher earnings exemptions. Single persons get an exemption of $165 a month plus 25 percent of additional earnings.

11. The figures indicated here are exemptions on earnings. There is also a set of exemptions that apply to other forms of income such as maintenance payments.

12. The flat-rate exemption on net earned income is applied only after people have received full or partial benefits for more than three consecutive months.

13. The enhanced exemption of 25 percent may be claimed for 12 months during a three-year period, with the possibility of a six-month extension. However, disabled persons are eligible indefinitely for the enhanced exemption.

14. In lieu of an earnings exemption, full-time workers get additional payments of $50 a month: $25 for clothing and $25 for transportation.

## Conclusion

The income provided by most provincial and territorial welfare programs is grossly inadequate for the vast majority of recipients. Most welfare incomes are far below the poverty line. Although welfare recipients are among the poorest of the poor in our society, they rarely get any guaranteed protection from increases in the cost of living. Between 1986 and 1992, some recipients actually became poorer.

Welfare is a degrading experience for the vast majority of recipients. Applicants have to exhaust almost all their liquid assets to qualify for help. Welfare entitlements are determined by a labyrinth of rules and regulations that may or may not make sense. "Need" is as much a dictate of governments as it is a reflection of the cost of the necessities of life. The huge amount of discretion in the system makes it almost impossible to know whether people are being treated fairly.

The National Council of Welfare acknowledges that modest improvements have been made in some provincial and territorial welfare programs since the publication of Welfare in Canada: The Tangled Safety Net in 1987. However, the only guarantee that welfare offers consistently is poverty.

## NATIONAL COUNCIL OF WELFARE

The National Council of Welfare was established by the Government Organization Act, 1969, as a citizens' advisory body to the Minister of National Health and Welfare. Its mandate is to advise the Minister on matters pertaining to welfare.

The Council consists of 21 members, drawn from across Canada and appointed by the Governor-in-Council. All are private citizens and serve in their personal capacities rather than as representatives of organizations or agencies. The membership of the Council has included past and present welfare recipients, public housing tenants and other low-income citizens, as well as lawyers, professors, social workers and others involved in voluntary service associations, private welfare agencies, and social work education.

Reports by the National Council of Welfare deal with a wide range of issues on poverty and social policy in Canada, including: income security programs, medicare, poverty lines and poverty statistics, the retirement income system, the aged, tax reform, the working poor, children in poverty, community economic development, women and poverty, employment policy, single-parent families, social services, nutrition, community organizing, child welfare, poor people's groups, legal aid/legal services, low-income consumers, poverty coverage in the press and welfare reform.

On peut se procurer des exemplaires en français de toutes les publications du Conseil national du bien-être social, en s'adressant au Conseil national du bien-être social, Pièce 1876, Immeuble Jeanne Mance, Ottawa K1A 0K9.

# Welfare Incomes 1993

A Report by the
National Council of Welfare



Summer 1994

Canada

# <u>WELFARE INCOMES 1993</u>

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Copies of this publication may be obtained from:
National Council of Welfare
Jeanne Mance Building
Ottawa K1A 0K9
(613) 957-2961

Également disponible en français sous le titre:
Revenus de bien-être social, 1993


Cat. No. H68-27/1993E
ISBN 0-662-22399-3

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# SUMMARY

This report is the sixth of its kind by the National Council of Welfare. It estimates welfare incomes for the year 1993 for four types of households: a single employable person, a single person with a disability, a single-parent family with a child aged two, and a two-parent family with two children aged ten and 15. Similar estimates were published in Welfare in Canada: The Tangled Safety Net and previous versions of Welfare Incomes for the years 1989 through 1992.

The National Council of Welfare is grateful to officials of provincial and territorial governments for taking the time to review the factual material in this report and previous reports. A special thanks goes to Gilles Séguin of the social policy and information branch of the strategic policy group of Human Resources Development Canada for his assistance and insights over the years.

All six reports show that welfare incomes in all parts of Canada fall well below the poverty line. They also represent only a small fraction of average incomes. Welfare Incomes 1993 shows that welfare recipients in many parts of Canada were worse off financially in 1993 than they were in 1992. Alberta actually cut its welfare rates, and benefits in most other provinces failed to keep pace with inflation.

By themselves, income data cannot really describe the plight of the estimated three million Canadians who survived on the inadequate allowances paid by governments in 1993. Many thousands of children from welfare families go to school hungry. Many thousands of people with disabilities face disproportionately larger problems because of the additional expenses related to their disabilities. Many thousands of single people and families live in substandard housing. The only "choice" many people on welfare have is deciding how to cut back on food as the end of the month approaches and the money starts to run out.

## What is Welfare?

Social assistance or welfare is the income program of last resort in Canada. It provides financial assistance to individuals and families whose resources are inadequate to meet their needs and who have exhausted other avenues of support.

Welfare is paid under the terms of the Canada Assistance Plan, an arrangement that allows the cost to be shared by the federal government and the provinces and territories. Although people talk about welfare as a single entity, there are really 12 welfare systems in Canada - one in each province and territory. Some would say there are hundreds of welfare systems, because of the leeway allowed to municipalities which run welfare programs in Nova Scotia, Ontario and Manitoba.

Despite the fact that each of the 12 main welfare systems is different, they have many common features. They have complex rules which regulate all aspects of the system, including eligibility for assistance, the rates of assistance, the amounts recipients are allowed to keep from outside earnings, and the way in which applicants and recipients may question decisions regarding their cases.

## Eligibility

Eligibility for welfare is based on some general rules, on a determination of fixed and liquid assets, and on a shortfall in household income as measured by a "needs test."

Applicants must qualify for assistance on the basis of rules which vary widely throughout the country. For example, applicants must be of a certain age (usually between 18 and 65). Full-time students of post-secondary educational institutions may qualify for assistance in some provinces only if they meet specified conditions. In other provinces, they cannot apply for assistance without leaving their studies. Single parents must try to secure any court-ordered maintenance support to which they are entitled. Individuals who are disabled require medical certification of their conditions. Strikers are not eligible in most jurisdictions. Immigrants must try to obtain financial assistance from their sponsors.

Applicants also must meet requirements concerning their fixed and liquid assets. The value of their non-exempt assets cannot exceed certain levels. Otherwise, applicants are considered to be self-reliant or potentially self-reliant because they can convert their fixed assets into liquid assets.

Rules vary regarding the treatment of fixed assets. In most provinces, a principal residence and personal effects such as furniture and clothing are considered exempt. Most provinces exempt the value of a car, although some jurisdictions take into consideration factors such as the need for a private vehicle and the availability of public transportation. Property and equipment required for employment are generally considered exempt.

The limits on liquid assets (cash, bonds and securities that are readily convertible to cash, and the cash value of life insurance in some provinces) are shown in Table 1 that follows. The amounts vary by household size and employability.

Provinces and territories set their own maximum allowable liquid assets. If they want to qualify for cost-sharing, however, the amounts cannot exceed the maximums set by Ottawa.

The federal maximums on liquid assets are:

* $2,500 for a single person and $3,000 when an individual is aged or disabled.

* $5,000 for a person with one dependent (spouse or child) and $5,500 when the applicant or spouse is aged or disabled.

* an extra $500 for the second and each additional dependent.

* an additional amount where this has been placed in a special fund or trust for purposes that the province considers to be socially important - for example, the education of a child or the purchase of equipment to overcome a disabling condition.

**TABLE 1**

**LIQUID ASSET EXEMPTION LEVELS AS OF JANUARY 1993**

<table>
<tr><th rowspan="2"></th><th colspan="3">Unemployable</th><th colspan="2">Employable</th></tr>
<tr><th>Single Person</th><th>Single Parent, One Dependent</th><th>Single, Disabled</th><th>Single Person</th><th>Family</th></tr>
<tr><td>Newfoundland</td><td>$2,500</td><td>$5,000</td><td>$3,000</td><td>$40</td><td>$100</td></tr>
<tr><td>Prince Edward Island</td><td>**[1]</td><td>$1,200</td><td>$900</td><td>$50[2]</td><td>$50[2]</td></tr>
<tr><td>Nova Scotia</td><td>$1,500[3]</td><td>$2,500</td><td>$3,000</td><td colspan="2">Municipalities generally require liquid assets to be expended to meet basic needs.</td></tr>
<tr><td>New Brunswick</td><td>$500</td><td>$1,000</td><td>$1,000</td><td>$500</td><td>$1,000</td></tr>
<tr><td>Quebec</td><td>**[4]</td><td>**[4]</td><td>$2,500[4]</td><td>$1,500</td><td>$2,500</td></tr>
<tr><td rowspan="2">Ontario</td><td rowspan="2">$2,500[5]</td><td rowspan="2">$5,000[5]</td><td rowspan="2">$3,000[5]</td><td colspan="2">Municipal welfare administrators determine the level of liquid assets a person may have and still be eligible for assistance.</td></tr>
<tr><td>Assets equal to 1-2 weeks' assistance may be exempted (or 1-3 months' assistance in the case of a temporarily unemployable person). Maximum exemptions ($2,500 for single and $5,000 for a couple plus $500 per dependent) may apply to households to be transferred to long-term assistance.</td><td>Assets equal to 1-3 months' assistance.</td></tr>
</table>

**TABLE 1 (Continued)**

| | Unemployable | | | Employable | |
|---|---|---|---|---|---|
| | Single Person | Single Parent, One Dependent | Single, Disabled | Single Person | Family |
| Manitoba[6] | **[7] | $2,000 | $2,000 | Each municipality establishes the amount of liquid assets an applicant may retain. | |
| Saskatchewan | $1,500 | $3,000 | $1,500 | $1,500 | $3,000[8] |
| Alberta | $1,500 | $2,500 | $3,000[9] | $50 cash plus the equivalent of $1,450 in cash assets | $250 cash plus the equivalent of $2,250 in cash assets |
| British Columbia | $2,500[10] | $5,000 | $3,000 | $2,500 | $5,000[11] |
| Northwest Territories | The value of any assets that should not be converted into cash for sound social or economic reasons (in the Director's opinion) is exempt from the inclusion as a personal resource. | | | | |
| Yukon | $500 | $1,800 | $1,500 | $100[12] | $200[12] |

## NOTES TO TABLE 1

1. Single applicants would not be considered unemployable unless they were disabled.

2. This level applies to unemployed applicants who require assistance for less than four months. Liquid asset exemption levels for persons on assistance for four months or more are $200 for a single person and up to $2,400 for a family depending on family size.

3. This exemption applies to single elderly persons who are not eligible for the Old Age Security Pension. Single applicants would not be considered unemployable unless they were disabled or elderly.

4. Applicants would not be considered unemployable unless they were disabled.

5. The director may permit households in receipt of Family Benefits to exceed the maximum exemption level by no more than ten percent. This exception applies only to current beneficiaries and not to applicants.

6. Manitoba has a distinct set of rules pertaining to persons owning or operating farms.

7. Single persons would not be considered unemployable unless they were disabled.

8. The level of $3,000 applies to a person with one dependent. There is an additional $500 liquid asset exemption for each additional dependent.

9. This level applies to people who are severely and permanently disabled on welfare who have high needs because of dependents or the cost of personal support services. Normally, severely and permanently disabled people receive benefits under the Assured Income for the Severely Handicapped (AISH) program. AISH is not based on need and provides a maximum benefit of $810 a month.

10. This applies to recipients under age 55. The liquid asset exemption for recipients 55 and older is $3,000.

11. The level of $5,000 applies to a person under age 55 with one dependent. There is an additional $500 liquid asset exemption for each additional dependent.

12. This level applies to persons on assistance for less than 90 days. Higher levels are permitted for those on assistance for more than 90 days.

The liquid assets permitted by British Columbia match the federal maximums. Newfoundland and Ontario allow applicants for long-term assistance to have liquid assets that match federal levels, while Newfoundland, Nova Scotia, Ontario and Alberta permit the maximum levels for people with disabilities. Federal guidelines were last changed in July 1980.

The maximums allowed by Ottawa and the provinces are very low and require individuals to be virtually penniless before they are eligible for financial aid. Disabled individuals in particular have expressed concern about the fact that these levels do not allow them to have a small "personal safety net" which they can use in the event of an emergency or special need.

The determination of fixed and liquid assets is part of the needs test. Under this test, the needs of a household for food, clothing, shelter and other essential items are calculated - using criteria for need as determined by provincial and territorial governments. Special needs items, if they are deemed essential to daily living or are required for a regularly recurring need, are generally included in this calculation.

The household income from various sources is identified. Some income, such as the federal child tax benefit and the federal GST credit, is normally considered exempt; it is not calculated as income available for the support of the applicant. Income from other sources such as employment, pensions and unemployment insurance is considered as income fully or partially available for support of the household.

Total non-exempt income is subtracted from the total needs of the household. Applicants qualify if the household's needs exceed its resources or if there is a budget surplus that is insufficient to meet the cost of a special need such as medications or disability-related equipment.

The needs test is the central eligibility criterion required by the assistance provisions of the Canada Assistance Plan. The law authorizes the federal government to share the costs of welfare only on behalf of households that qualify on the basis of need.

The needs test has a significant impact upon the shape of the welfare system. The test is fairly "intrusive." Applicants must reveal a significant amount of financial and personal

information. A large bureaucracy is required, and individual welfare workers have room to make discretionary judgments in the application of welfare regulations.

By contrast, eligibility for other income support programs such as the federal child tax benefit or Guaranteed Income Supplement for seniors is determined by an income test. This is a simpler and more objective test based on income alone, not assets or needs. Eligibility for the child tax benefit, for example, is based on net family income as reported on income tax returns.

In summary, applicants are eligible for welfare if they qualify on the basis of certain general rules, if their assets fall within the guidelines on fixed and liquid assets, and if their needs exceed the financial resources available to them.

## Rates of Assistance

Every province and territory uses a different method of calculating basic social assistance, which generally includes food, clothing, shelter, utilities, and an allowance for personal and household needs.

Applicants and recipients may be eligible for extra assistance in most provinces if they have special needs such as medication, prosthetic devices, technical aids and equipment, special clothing or dental care. Assistance may be provided as cash or "in kind" in the form of vouchers, goods or services.

Sometimes applicants require assistance only for a special needs item, because they are able to provide for other basic needs from their own resources. In such a case, the province or territory may grant the specific amount that the household requires, provided that the applicant is eligible under the needs test.

Every province and territory has a list of special needs for which it will provide extra assistance. In some cases, only a portion of the cost of a particular item is paid. For example, the province may reimburse a certain percentage of dental costs, and the recipient is expected to pay the remaining amount.

In Ontario, municipalities may make special assistance available for households that require financial help only for designated special needs. The fact that municipalities are not required to grant such assistance has created hardship for many low-income individuals and families with special needs. As of October 1, 1991, transportation required for medical treatment, surgical supplies and dressings, and diabetic supplies were reclassified as "special necessities." The change in designation means that these items must be provided to all welfare recipients who qualify - even recipients in municipalities which do not normally provide this kind of benefit. The Ontario government agreed to pick up a larger share of the cost of these items from municipal governments.

All across Canada, welfare officials have some degree of discretion in deciding whether certain households qualify for special assistance under provincial or territorial welfare regulations. Discretion is both a strength and weakness of the welfare system. On the one hand, welfare recognizes the fact that individuals may have on-going or one-time special needs for which they require assistance. On the other hand, a person with special needs may be considered eligible for extra assistance by one welfare worker, but not by another.

Table 2 presents a national picture of estimated welfare incomes for 1993. The incomes are for the basic needs of four household types: a single employable person, a single disabled person, a single-parent family with one child aged two and a two-parent family with two children aged ten and 15. To facilitate comparisons, we assumed that each of the households went on welfare on January 1, 1993, and remained on welfare for the entire calendar year.

These rates must be interpreted with caution. They are estimates of what a particular family or single person might receive. Because welfare is such a highly individualized program of income support, every recipient is potentially eligible for a different amount of financial assistance.

It is especially important to understand the derivation of the social assistance figures in Column 1. These figures are both maximum and minimum amounts.

They are maximum amounts in that they represent the highest level of welfare that a designated province will provide to a given household unit for its basic living needs. Recipients might actually receive any amount up to and including that maximum level.

At the same time, these figures are minimum amounts in that they do not generally include special needs assistance to which a given household may be entitled.

## Basic Social Assistance

Column 1 represents the basic social assistance to which eligible households are entitled. Basic assistance generally includes an amount for food, clothing, shelter, utilities, and personal and household needs.

In order to ensure to the greatest extent possible the comparability of the data, a number of assumptions were made in calculating basic assistance. These assumptions involve the size of a municipal area, two-tier welfare systems, the employability of recipients, accommodation, and rate increases.

### a. largest municipal area

The rates of social assistance are for the largest municipal area in the province or territory. The shelter component of basic assistance may vary by region. Assistance may increase in more remote areas in order to compensate for higher living costs. For example, a higher supplementary fuel allowance is granted to recipients in Labrador than that provided to other residents of the province. A northern districts supplement is available in Ontario. Manitoba and Saskatchewan provide a supplementary northern food allowance. The food rates in the Northwest Territories vary by region.

### b. two-tier welfare systems

Nova Scotia, Ontario and Manitoba had two-tier welfare systems in 1993. This means that the provincial government assumed responsibility for certain recipients (generally those considered to be unemployable) while municipal governments were responsible for other categories of recipients (generally those considered to be employable).

In Ontario, municipalities have to conform to a standard set of rates for basic welfare assistance which is set by the province. There is wide variation, however, with respect to the provision of special assistance, which is the sole responsibility of Ontario municipalities.

Manitoba has moved to standardize rates in its two-tiered welfare system, although the minimum rates established by the provincial government were not as high as the rates paid by the City of Winnipeg. The city accepted the standardized rates for adults, but decided to maintain higher rates for children. This extra amount for children on welfare is cost-shared by the city and the federal government, but not by the province. In Table 2, the rates for the single employable person and the couple with two children are the rates for the City of Winnipeg.

In Nova Scotia, municipalities still set their own levels of assistance. The rates for single employable recipients and two-parent households in Table 2 were the rates for the City of Halifax. Rates for these households varied greatly in other municipalities in the province and were normally much lower than the rates in Halifax.

### c. employability of recipients

Short-term rates of assistance (which are generally lower than long-term rates) were assigned to single employable individuals in all jurisdictions except Prince Edward Island. In fact, in some provinces, single employable persons are eligible for assistance for one month only, after which they must renew their applications. In order to "annualize" the rates presented in Table 2, it was assumed that these people started receiving welfare on January 1, 1993, and remained on assistance throughout the entire year, even though many recipients would not actually have been eligible on such a "long-term" basis. P.E.I. got rid of its short-term rates altogether as of April 1, 1990.

Single disabled persons generally qualify for long-term rates of assistance. In Ontario, they are eligible for benefits under the Guaranteed Annual Income System for the Disabled (GAINS-D) program. In Alberta, disabled applicants may qualify for benefits under one of two programs - social assistance or Assured Income for the Severely Handicapped (AISH). The rates in Table 2 are for the social assistance program, although the corresponding rate of assistance for persons with severe and permanent disabilities is indicated in the accompanying footnotes.

In most cases, the single-parent family was assigned higher rates of assistance. It was generally presumed that this family was unemployable because of the young age of the child (two years). However, classification of the single-parent family actually varies throughout the country, and this variation is reflected in the calculations in Table 2.

Single parents in Saskatchewan are not required to seek employment or take training if they choose to remain at home to care for a child under the age of six. In Alberta, single parents with children six months old or older now are considered employable. Single parents in New Brunswick and Quebec receive the benefits paid under the employability enhancement programs in these provinces - the Upgrading, Training and Placement Program and the Work and Employment Incentives Program, respectively. The employability enhancement programs provide lower rates of assistance than long-term welfare programs.

Finally, the two-parent family with two children was considered to be employable for the purposes of these calculations. If, for some reason, the family was unemployable (for example, the family head was disabled), it would be eligible for higher rates of assistance.

## d. accommodation

Table 2 considers welfare recipients to be renters rather than homeowners. It also assumes that there was no sharing of accommodation. In all provinces, rates of assistance are reduced when unrelated individuals share housing. Under the Work and Employment Incentives Program for employable persons in Quebec, for example, the monthly assistance cheques of two households sharing accommodation were reduced by $100 each in 1993.

Where shelter allowances do not include the cost of utilities, the latter were added to the shelter rates. Maximum allowable shelter rates were used in most jurisdictions.

In the Northwest Territories, however, there are no maximum rates for shelter. Actual rents are paid, and these vary widely in the North. This edition of Welfare Incomes contains estimates for the Northwest Territories for the first time, using figures supplied by territorial officials. For the single employable person and the single person with a disability, basic welfare assistance was calculated using the highest rent and utilities actually paid for a bachelor suite in

Yellowknife. For the two families with children, the calculation was done using the highest rent and utilities actually paid for a two-bedroom apartment in Yellowknife. Because of the way the figures for the Northwest Territories are calculated, they are not directly comparable with figures for welfare programs which have ceilings on rent.

**e. rate increases**

Provincial and territorial governments increase their welfare rates from time to time, but rates are not normally indexed. Indexing means that the increases are provided in law and come into effect automatically at regular intervals.

Quebec was the only jurisdiction to index its rates in 1993 and then only for welfare recipients under the Financial Support Program. Most other provinces granted discretionary increases to welfare recipients for 1993, some at the beginning of the year and others during the course of the year. The increases were incorporated in the calculations in Table 2 as of their effective dates.

There were no across-the-board increases in Newfoundland, Prince Edward Island, Nova Scotia, Saskatchewan and Yukon in 1993.

Alberta actually reduced its welfare rates as of October 1, 1993. The cuts were incorporated in the calculations as of that date, so their full impact will not be apparent until the publication of Welfare Incomes 1994 next year.

Quebec reduced its welfare rates for certain categories of recipients under the Work and Employment Incentives Program as of October 1, 1993, but the reductions applied only to people who started receiving welfare after that date. People already on welfare were not affected. Because the calculations in this report assume that all the households went on welfare on January 1, 1993, the reductions will not show up in the calculations until Welfare Incomes 1994.

## Special Assistance

Two kinds of assistance may be provided for special needs. First, there are regularly recurring needs within certain groups, such as people with disabilities. Second, there are "one-time" special needs which are determined case by case. One-time special needs include items such as funeral expenses, moving costs or emergency home repairs.

Decisions to provide either type of special assistance are made by individual welfare workers. In some cases, approval is required from an administrator, director or designated professional such as a doctor.

Because it is impossible to know whether individuals receive special assistance and because the amount and type of help vary by household, these extra amounts have not been included in the calculation of estimated welfare income.

Special assistance has been incorporated in Column 2 of Table 2 only when it is automatically provided to certain recipients. Examples of special assistance include: extra assistance for disabled persons, money for school expenses, winter clothing allowances for families with children, and Christmas allowances. The footnotes explain the nature of the special assistance in each jurisdiction.

## Child Tax Benefit

Previous editions of Welfare Incomes included amounts for federal family allowances and the federal refundable child tax credit. As of January 1, 1993, these two benefits, along with the non-refundable children's credit on federal income tax forms, were replaced by the federal child tax benefit. The benefit is paid monthly.

The maximum amount in 1993 was $1,020 a year for each child under the age of 18. A supplement of $213 a year was paid for each child under the age of seven.

All provinces and territories except Saskatchewan consider the child tax benefit to be exempt income in the calculation of welfare benefits. Saskatchewan deducts the value of the

family allowance component of the child tax benefit (estimated at $34.88 a month for each child in 1993) from its welfare payments. To account for this in Table 2, the rates of assistance in Column 1 for the two households with children in Saskatchewan have been reduced by $34.88 a month for each child.

**Child-Related Benefits**

Child-related benefits refer to additional benefits that some provinces provide to low-income families with dependent children. Quebec provides a family allowance over and above the federal child tax benefit. Quebec also makes available a special allowance to families with children under six called the Allowance for Young Children. It was worth $9.77 a month in 1993 for the first child under six.

Manitoba provides up to $30 a month per child to low-income families under the Child Related Income Support Program (CRISP). The maximum benefit went to families with net incomes of $12,384 a year or less. Under a change in provincial government policy that took effect on April 1, 1993, families on both municipal and provincial welfare lose a dollar of their welfare cheques for every dollar received from CRISP. For this reason, CRISP is included in Column 1 along with basic social assistance. Prior to April 1, 1993, the couple with two children on municipal welfare in Winnipeg received CRISP benefits with no reduction in welfare. This amount is shown separately in Column 4.

The Family Income Plan in Saskatchewan provides non-taxable cash assistance for eligible families with dependent children under 18 years of age. Effective July 1, 1993, maximum benefits were $105 a month for each of the first three children in a family and $95 a month for the fourth and subsequent children. The maximum benefit went to families with incomes of $725 a month or less, not including the federal child tax benefit. This amount is not presented as a separate entry in Column 4 because the province includes it in the rates of assistance for families on welfare.

## GST Credit

Column 5 is the federal refundable credit for the Goods and Services Tax. The GST credit is paid quarterly. The four payments received in 1993 added up to a maximum of $196 for each adult or the first child in a single-parent family. For other dependent children, the total for the year was a maximum of $103.50 a child.

Single adults, including single parents, also received a single person's supplement if their 1992 incomes exceeded $6,456. The maximum supplement for 1993 was $105.

## Provincial Tax Credits

The tax credits in Column 6 are the Sales Tax Credit in Quebec, the Sales and Property Tax Credits in Ontario, and the Cost of Living and Property Tax Credits in Manitoba.

In 1992, Manitoba announced that recipients of provincial welfare would receive their tax credits as monthly payments added to their welfare cheques. Recipients of municipal welfare continue to receive them once a year at income tax time. For the single person with a disability and the single-parent family, the monthly instalments of the credits are incorporated in Column 1. For the single employable person and couple with children on municipal welfare, the credits appear in Column 6.

## TABLE 2

## ESTIMATED WELFARE INCOME, BY TYPE OF HOUSEHOLD, 1993

| | Basic Social Assistance | Additional Benefits | Child Tax Benefit[1] | Other Child Benefits | GST Credit[2] | Provincial Tax Credits | Total Income |
|---|---|---|---|---|---|---|---|
| **NEWFOUNDLAND[3]** | | | | | | | |
| Single Employable[4] | 4,326 | | | | 196 | | **4,522** |
| Disabled Person | 6,810 | 1,500[5] | | | 231 | | **8,541** |
| Single Parent, One Child[6] | 11,262 | | 1,233 | | 491 | | **12,986** |
| Couple, Two Children | 12,186 | | 2,040 | | 599 | | **14,825** |
| **PRINCE EDWARD ISLAND[7]** | | | | | | | |
| Single Employable[8] | 7,956 | | | | 224 | | **8,180** |
| Disabled Person | 7,956 | 1,092[9] | | | 246 | | **9,294** |
| Single Parent, One Child | 11,052 | | 1,233 | | 488 | | **12,773** |
| Couple, Two Children | 16,296 | 175[10] | 2,040 | | 599 | | **19,110** |
| **NOVA SCOTIA[11]** | | | | | | | |
| Single Employable | 5,904 | | | | 196 | | **6,100** |
| Disabled Person | 8,400 | | | | 237 | | **8,637** |
| Single Parent, One Child | 10,368 | | 1,233 | | 479 | | **12,080** |
| Couple, Two Children | 12,432 | 40[12] | 2,040 | | 599 | | **15,111** |
| **NEW BRUNSWICK[13,14]** | | | | | | | |
| Single Employable | 3,060 | | | | 196 | | **3,256** |
| Disabled Person | 6,212 | 1,800[15] | | | 226 | | **8,238** |
| Single Parent, One Child | 8,480 | | 1,233 | | 437 | | **10,150** |
| Couple, Two Children | 9,512 | | 2,040 | | 599 | | **12,151** |

**TABLE 2 (Continued)**

| | Basic Social Assistance | Additional Benefits | Child Tax Benefit | Other Child Benefits | GST Credit | Provincial Tax Credits | Total Income |
|---|---|---|---|---|---|---|---|
| **QUEBEC**[16,17] | | | | | | | |
| Single Employable[18] | 5,964 | | | | 196 | 156[19] | **6,316** |
| Disabled Person | 7,788 | | | | 220 | 156[19] | **8,164** |
| Single Parent, One Child | 9,732 | 1,080[20] | 869[21] | 248[22] | 474 | 204[19] | **12,607** |
| Couple, Two Children | 11,880 | 1,219[23] | 1,972[21] | 305[24] | 599 | 276[19] | **16,251** |
| **ONTARIO**[25] | | | | | | | |
| Single Employable | 7,935 | | | | 221 | 371[26] | **8,527** |
| Disabled Person[27] | 11,133 | | | | 285 | 307[26] | **11,725** |
| Single Parent, One Child | 14,613 | 105[28] | 1,233 | | 496 | 343[26] | **16,790** |
| Couple, Two Children | 18,858 | 407[29] | 2,040 | | 599 | 430[26] | **22,334** |
| **MANITOBA**[30] | | | | | | | |
| Single Employable[31] | 6,311 | 14[32] | | | 196 | 715[33] | **7,236** |
| Disabled Person | 7,206 | 840[34] | | | 211 | | **8,257** |
| Single Parent, One Child | 9,697 | | 1,233 | | 456 | | **11,386** |
| Couple, Two Children[31] | 15,615 | 38[32] | 2,040 | 180[35] | 599 | 938[33] | **19,410** |
| **SASKATCHEWAN**[36] | | | | | | | |
| Single Employable | 5,760 | | | | 196 | | **5,956** |
| Disabled Person | 7,500 | 780[37] | | | 232 | | **8,512** |
| Single Parent, One Child[38] | 10,381 | | 1,233 | | 479 | | **12,093** |
| Couple, Two Children[38] | 14,583 | 160[39] | 2,040 | | 599 | | **17,382** |

**TABLE 2 (Continued)**

| | Basic Social Assistance | Additional Benefits | Child Tax Benefit | Other Child Benefits | GST Credit | Provincial Tax Credits | Total Income |
|---|---|---|---|---|---|---|---|
| **ALBERTA**[40] | | | | | | | |
| Single Employable | 5,412 | | | | 196 | | **5,608** |
| Disabled Person[41] | 6,582 | | | | 201 | | **6,783** |
| Single Parent, One Child | 9,876 | | 933[42] | | 472 | | **11,281** |
| Couple, Two Children | 15,390 | | 2,133[42] | | 599 | | **18,122** |
| **BRITISH COLUMBIA**[43] | | | | | | | |
| Single Employable | 6,410 | 33[44] | | | 196 | | **6,639** |
| Disabled Person | 9,044 | 33[44] | | | 241 | | **9,318** |
| Single Parent, One Child | 11,539 | 80[44] | 1,233 | | 493 | | **13,345** |
| Couple, Two Children | 14,546 | 189[45] | 2,040 | | 599 | | **17,374** |
| **YUKON**[46] | | | | | | | |
| Single Employable | 7,740 | 155[47] | | | 226 | | **8,121** |
| Disabled Person | 7,740 | 995[48] | | | 242 | | **8,977** |
| Single Parent, One Child | 12,540 | 572[49] | 1,233 | | 496 | | **14,841** |
| Couple, Two Children | 19,080 | 685[50] | 2,040 | | 599 | | **22,404** |
| **NORTHWEST TERRITORIES**[51] | | | | | | | |
| Single Employable | 11,304 | | | | 295[52] | | **11,599** |
| Disabled Person | 11,304 | 1,500[53] | | | 300 | | **13,104** |
| Single Parent, One Child | 19,164 | | 1,233 | | 496 | | **20,893** |
| Couple, Two Children | 22,668 | | 2,040 | | 599 | | **25,307** |

## NOTES TO TABLE 2

1. The new federal child tax benefit began in January 1993. It replaced family allowances, the refundable child tax credit, and the non-refundable children's credit on the federal income tax form. In Table 2, the single-parent family with one young child was eligible for $1,233 ($1,020 as a basic amount and $213 as a supplement for children under seven). The two-parent family with two children aged ten and 15 was eligible for $2,040 ($1,020 for each child). Neither household received the $500 supplement for earned income because it was assumed that all their income came from welfare or other government sources.

2. The GST credit is paid in quarterly installments. In 1993, adults and the first child in a single-parent family received maximum payments of $48.25 each in January and April and $49.75 each in July and October. The maximum rate for other children was $25.50 in January and April and $26.25 in July and October. The special GST supplement for single persons and single-parent families is included in the totals for the year.

3. The last rate increases in Newfoundland were on April 1, 1992. The totals include a fuel allowance of $51 a month from November through April.

4. These rates apply to single able-bodied persons under age 50. Rates of assistance to persons over 50 are higher. Welfare officials in Newfoundland say that most single employables fall under a board and lodging rate structure instead of the rates shown here.

5. This is the flat-rate special allowance of $125 a month for a single person with a disability. It is paid only to individuals who are severely disabled and who require supportive services to aid independent living.

6. The rates include a supplement of $57 a month paid to single-parent families.

7. The last rate increases in Prince Edward Island were on July 1, 1992.

8. The assistance to single persons appears to be relatively generous because the shelter allowance for singles is higher than that provided in other provinces. Single persons are encouraged and often required to find room and board accommodation and are paid a correspondingly lower allowance.

9. This is the special care allowance of up to $40 a month to help pay for the special needs arising from a disability and the personal comfort allowance of $51 a month for items of personal care.

10. This represents back-to-school benefits of $100 and $75 for the children.

11. Nova Scotia last increased its rates on August 1, 1991, for provincial Family Benefits for the single disabled person and the single-parent family. Rates for municipal recipients for the single employable individual and the two-parent family are based on Halifax rates that have not gone up since March 1, 1992. Municipal recipients in Halifax often get an additional $42 a month for work-related transportation, but the allowance is not automatic in all cases.

12. Halifax provides a $20 per child back-to-school allowance.

13. Rate changes which took effect on September 1, 1993, were incorporated in these figures.

14. The single employable person was classified in the Interim Assistance Program, the single disabled person in the Long-Term Established Needs Program, and the single-parent and two-parent families in the Upgrading, Training and Placement Program.

15. This is the maximum Assistance for Reduction of Rental Costs of $150 a month for low-income elderly or disabled persons. However, most people with disabilities received significantly less than the maximum. The program was frozen as of April 1, 1993, and no new people were admitted after that date.

16. The single disabled person was classified under the Financial Support Program. The single-parent family was classified as "not available" under the Work and Employment Incentives Program, and the others were classified as "not participating."

17. There were increases in benefits under the Financial Support Program on January 1, 1993, and adjustments to the program as of October 1, 1993. Rates for the Work and Employment Incentives Program as well as associated adjustments changed on October 1, 1993. Quebec makes the adjustments to harmonize its income support programs with its income tax system.

18. Under its new system of income security introduced in 1989, Quebec requires a parental contribution from the parents of certain employable individuals defined as "parental dependents." It is possible that the actual assistance would be lower than the rates indicated here if the recipient were classified as a parental dependent as defined by Quebec law.

19. This is the refundable Sales Tax Credit introduced by the Quebec government in 1991.

20. Recipients with dependent children are eligible for a shelter subsidy. The single-parent family and the two-parent family were entitled to a maximum monthly subsidy of $90.

21. Quebec varies the amount of the federal child tax benefit according to the age of the child and the number of children in a family. The province has its own system of family allowances as well; these are included under "child-related benefits."

22. This is the combined amount of the Quebec family allowances and the Allowance for Young Children.

23. This is the school expense allowance of $46 for each dependent attending primary school and $93 for each dependent in secondary school. The maximum monthly shelter subsidy of $90 is included as well.

24. This is the Quebec family allowance.

25. The figures were based on rate changes which took effect in April 1993 for both the Family Benefits program and General Welfare Assistance.

26. This represents the combined amounts of the Ontario Sales Tax and Property Tax Credits. The Property Tax Credit was calculated on the following annual shelter costs: $4,860 for a single person, $7,620 for the single-parent family and $9,000 for the two-parent family; these correspond to the maximum shelter benefits payable in each case.

27. Assistance for a single disabled person was based on the GAINS-D (Guaranteed Annual Income System for the Disabled) rates. The rates were increased on October 1, 1993.

28. This is the winter clothing allowance of $105 for each dependent child.

29. This is the combined amount of the back-to-school allowances ($69 for the ten-year-old child and $128 for the 15-year-old) and the winter clothing allowance of $105 a child paid on behalf of the dependent children of General Welfare Assistance recipients.

30. Rates for the Manitoba Social Allowances program (for people with disabilities and single parents) were increased on January 1, 1993, but a supplementary benefit based on the value of provincial tax credits was reduced on May 1, 1993. The City of Winnipeg restructured the benefit schedule on May 1, 1993. These changes are reflected in the amounts for the single employable person and the couple with two children.

31. Under the previous welfare system, the clothing allowance for employable recipients was not provided until the fifth week on assistance. As of May 1, 1993, the clothing allowance was combined with an allowance for personal items. After six months on assistance, this combined allowance increases by $30 a month for each adult.

32. Winnipeg provided a Christmas allowance of $13.60 per single person or $38.35 per family.

33. These are the Manitoba Cost of Living and Property Tax Credits. Recipients of provincial welfare no longer receive the credits. They are incorporated into the monthly assistance rates.

34. Income assistance for the disabled went up $10 a month in January 1993.

35. The $180 represents three months of benefits under the Child Related Income Support Program (CRISP) prior to a change in provincial government policy that took effect on April 1, 1993. Under the new policy, a family with children who is on municipal welfare can receive CRISP benefits, but every dollar of CRISP income leads to a dollar reduction in the family's welfare cheque.

36. Rates of assistance were last changed across the board in Saskatchewan on August 1, 1992. However, on July 1, 1993, there was an increase of $5 a month for each child and an increase in food allowances for a third or additional dependent in a family.

37. An additional allowance of $40 a month for people with disabilities, effective August 1, 1992, is included in the total. The total also includes a special care allowance of $25 a month for disabled recipients to pay for tasks they are unable to perform themselves.

38. The rates of assistance have been reduced by the value of the former federal family allowance ($34.88 a month for each child). The federal government stopped paying family allowances at the end of 1992 and incorporated the amount in the new child tax benefit. Saskatchewan is the only province which explicitly deducts the value of family allowances from welfare rates. Low-income families are eligible for supplements from the Family Income Plan, but the benefits are already incorporated within the welfare rates indicated here.

39. This represents an amount for education-related expenses: $100 for children aged 14 and over and $60 for children between the ages of six and 13.

40. Alberta reduced its rates of assistance on October 1, 1993. The rates in the table are based on the following categories: the single employable person and two-parent family were under the Employment and Training Support program, the single disabled person under the Assured Support program and the single parent under Transitional Support.

41. Persons who are severely and permanently disabled and whose needs exceed the amount provided under the Assured Income for the Severely Handicapped program ($796 a month) are eligible for special allowances of up to $3,000 a month to help pay the costs of personal supports as well as a handicap allowance of $175 a month.

42. Alberta varies the amounts of the federal child tax benefit according to the age of the child.

43. The figures incorporate increases that took effect on February 1, 1993.

44. This is a Christmas allowance of $33 for single person or $70 a family plus $9.50 for each child in the family.

45. This figure represents the combined amount of the Christmas allowance of $89 and school start-up fees of $42 for a child between the ages of five and 11 and $58 for a child 12 and older.

46. The last rate increases in Yukon were on April 1, 1991.

47. This represents the combined amounts of the Christmas allowance of $30 a person and winter clothing allowances of $75 for children under age 14 and $125 for adults and children 14 and older.

48. In addition to the Christmas allowance and winter clothing allowance, disabled recipients are eligible for a supplementary allowance of $70 a month if they are considered to be "permanent exclusions from the labour force."

49. In addition to the Christmas and winter clothing allowances, a weekly amount of $6 for babysitting was included in the special assistance for the single-parent family.

50. This includes Christmas allowances, winter clothing allowances and school supply allowances of $50 and $65.

51. Basic social assistance in the Northwest Territories was calculated using the maximum shelter costs actually paid for welfare households in Yellowknife. The single employable person and the disabled person lived in bachelor suites, while the two families with children lived in two-bedroom apartments.

52. In calculating the GST credit for 1993 and in the absence of income figures for previous years, we assumed that welfare incomes were the same in 1991 and 1992.

53. This is the disabled allowance of $125 a month.

## Adequacy of Benefits

Many of the incomes in Table 2 are abysmally low. To demonstrate just how low, we compared them with the low income cut-offs of Statistics Canada for 1993. The results are shown in Table 3.

Each year, the federal agency calculates low income cut-offs for households of different sizes living in communities of different sizes. They approximate levels of gross income where people are forced to spend disproportionate amounts of their incomes on food, shelter and clothing.

The National Council of Welfare regards the cut-offs as poverty lines. Like any poverty lines, they have their limitations, but they are widely accepted as a benchmark for judging income adequacy in Canada. Other studies of poverty, especially local surveys using a "market basket" approach, have produced comparable results.

Some provincial governments maintain that the poverty lines are an especially imperfect measure of poverty when it comes to welfare incomes, because the lines are based on pre-tax income and welfare benefits are not taxable. In reality, most of the incomes in Table 3 are so low that there is no difference between taxable and non-taxable income. For example, single employable people in New Brunswick with total incomes of $3,256 in 1993 were poor by any standard. Even if they had earned income instead of receiving welfare income, they would have been exempt from income tax because their earnings were so low.

Some provinces also contend that welfare is intended to provide only the bare necessities of life, while incomes at the level of the low income cut-offs are high enough to allow some discretionary spending as well. The National Council of Welfare has no sympathy for that argument. The fact is that the cut-offs already represent very low levels of income. The only "discretion" many welfare recipients have is how to cut back on food when the money starts running short toward the end of the month.

As Table 3 shows, Prince Edward Island and Ontario are two provinces where welfare incomes are closer to the poverty lines than elsewhere, although still substantially below the lines. Some of the rates in other provinces, especially rates for single employables, are far

below the lines. Welfare incomes which reach only one-quarter or one-third of the poverty line are unacceptably low and should be raised at the earliest possible date.

Column 1 of the table shows welfare incomes for different types of households in the ten provinces in 1993. Neither of the territories is included in this table because they are specifically excluded from the survey used to generate the cut-offs.

Column 2 indicates the poverty lines - the low income cut-offs of Statistics Canada (1986 base) - for the largest city in each province. The poverty gap - or difference between total income and the poverty lines - is indicated in Column 3. Column 4 represents total welfare income as a percentage of the poverty line - that is, welfare income divided by the poverty line.

Welfare incomes for single employable people were by far the least adequate, ranging from 24 percent of the poverty line in New Brunswick to 62 percent of the poverty line in Prince Edward Island. Benefits for single disabled people fell between 44 percent of the line in Alberta and 76 percent in Ontario. Welfare incomes for single-parent families ranged from a low of 54 percent in Manitoba and Alberta to a high of 80 percent in Ontario. Finally, the incomes of two-parent families with two children fell between 45 percent of the poverty line in New Brunswick and 73 percent in Prince Edward Island and Ontario.

On the whole, the adequacy of benefits has not improved significantly since the calculation of rates for 1986 in The Tangled Safety Net.

**TABLE 3**

**ADEQUACY OF BENEFITS, 1993**

| | Total Income | Poverty Line | Poverty Gap | Total Welfare Income as % of Poverty Line |
|---|---|---|---|---|
| **NEWFOUNDLAND** | | | | |
| Single Employable | 4,522 | 13,572 | -9,050 | 33% |
| Disabled Person | 8,541 | 13,572 | -5,031 | 63% |
| Single Parent, One Child | 12,986 | 18,398 | -5,412 | 71% |
| Couple, Two Children | 14,825 | 26,922 | -12,097 | 55% |
| **PRINCE EDWARD ISLAND** | | | | |
| Single Employable | 8,180 | 13,259 | -5,079 | 62% |
| Disabled Person | 9,294 | 13,259 | -3,965 | 70% |
| Single Parent, One Child | 12,773 | 17,973 | -5,200 | 71% |
| Couple, Two Children | 19,110 | 26,302 | -7,192 | 73% |
| **NOVA SCOTIA** | | | | |
| Single Employable | 6,100 | 13,572 | -7,472 | 45% |
| Disabled Person | 8,637 | 13,572 | -4,935 | 64% |
| Single Parent, One Child | 12,080 | 18,398 | -6,318 | 66% |
| Couple, Two Children | 15,111 | 26,922 | -11,811 | 56% |
| **NEW BRUNSWICK** | | | | |
| Single Employable | 3,256 | 13,572 | -10,316 | 24% |
| Disabled Person | 8,238 | 13,572 | -5,334 | 61% |
| Single Parent, One Child | 10,150 | 18,398 | -8,248 | 55% |
| Couple, Two Children | 12,151 | 26,922 | -14,771 | 45% |
| **QUEBEC** | | | | |
| Single Employable | 6,316 | 15,452 | -9,136 | 41% |
| Disabled Person | 8,164 | 15,452 | -7,288 | 53% |
| Single Parent, One Child | 12,607 | 20,945 | -8,338 | 60% |
| Couple, Two Children | 16,251 | 30,655 | -14,404 | 53% |

**TABLE 3 (Continued)**

| | Total Income | Poverty Line | Poverty Gap | Total Welfare Income as % of Poverty Line |
|---|---|---|---|---|
| **ONTARIO** | | | | |
| Single Employable | 8,527 | 15,452 | -6,925 | 55% |
| Disabled Person | 11,725 | 15,452 | -3,727 | 76% |
| Single Parent, One Child | 16,790 | 20,945 | -4,156 | 80% |
| Couple, Two Children | 22,334 | 30,655 | -8,321 | 73% |
| **MANITOBA** | | | | |
| Single Employable | 7,236 | 15,452 | -8,216 | 47% |
| Disabled Person | 8,257 | 15,452 | -7,195 | 53% |
| Single Parent, One Child | 11,386 | 20,945 | -9,559 | 54% |
| Couple, Two Children | 19,410 | 30,655 | -11,245 | 63% |
| **SASKATCHEWAN** | | | | |
| Single Employable | 5,956 | 13,572 | -7,616 | 44% |
| Disabled Person | 8,512 | 13,572 | -5,060 | 63% |
| Single Parent, One Child | 12,093 | 18,398 | -6,305 | 66% |
| Couple, Two Children | 17,382 | 26,922 | -9,540 | 65% |
| **ALBERTA** | | | | |
| Single Employable | 5,608 | 15,452 | -9,844 | 36% |
| Disabled Person | 6,783 | 15,452 | -8,669 | 44% |
| Single Parent, One Child | 11,281 | 20,945 | -9,664 | 54% |
| Couple, Two Children | 18,122 | 30,655 | -12,533 | 59% |
| **BRITISH COLUMBIA** | | | | |
| Single Employable | 6,639 | 15,452 | -8,813 | 43% |
| Disabled Person | 9,318 | 15,452 | -6,134 | 60% |
| Single Parent, One Child | 13,345 | 20,945 | -7,600 | 64% |
| Couple, Two Children | 17,374 | 30,655 | -13,281 | 57% |

## Welfare and Average Incomes

The low level of financial support provided by social assistance is also evident when measured against average incomes. Welfare provides only a small part of the income that most Canadians would consider normal or reasonable.

Table 4 on the next page compares the welfare incomes of our four typical households with average incomes for the appropriate household type in each province.

The averages are 1993 estimates by the National Council of Welfare based on data collected by Statistics Canada in the Survey of Consumer Finances for 1992. For the single employable person and the single disabled person, we used average incomes in each province for unattached people under the age of 65. For single parents, we used the average incomes of single parents under 65 with children under 18. The size of the sample for single parents was too small to be reliable in Newfoundland and Prince Edward Island. For the two-parent family, we used the average incomes of couples under 65 with children under 18.

Table 4 makes it clear that welfare incomes are far below average. A single employable person on welfare received from 16 percent to 40 percent of the average income received by single people under 65. The disabled person on welfare got 27 to 46 percent of the average. Single-parent families had 40 to 62 percent of average incomes, but it is worth noting that average incomes for single-parent families in general are far below average incomes for couples with children. The two-parent family on welfare had between 23 and 38 percent of average incomes.

**TABLE 4**

**WELFARE INCOMES AS PERCENTAGE OF AVERAGE INCOMES, BY FAMILY TYPE AND PROVINCE, 1993**

| | Welfare Income | Estimated Average Income | Welfare Income as % of Estimated Average Income |
|---|---|---|---|
| **NEWFOUNDLAND** | | | |
| Single Employable | 4,522 | 23,013 | 20% |
| Disabled Person | 8,541 | 23,013 | 37% |
| Single Parent, One Child | 12,986 | ------ | --- |
| Couple, Two Children | 14,825 | 47,756 | 31% |
| **PRINCE EDWARD ISLAND** | | | |
| Single Employable | 8,180 | 20,236 | 40% |
| Disabled Person | 9,294 | 20,236 | 46% |
| Single Parent, One Child | 12,773 | ------ | --- |
| Couple, Two Children | 19,110 | 50,289 | 38% |
| **NOVA SCOTIA** | | | |
| Single Employable | 6,100 | 19,860 | 31% |
| Disabled Person | 8,637 | 19,860 | 43% |
| Single Parent, One Child | 12,080 | 19,783 | 61% |
| Couple, Two Children | 15,111 | 55,499 | 27% |
| **NEW BRUNSWICK** | | | |
| Single Employable | 3,256 | 20,849 | 16% |
| Disabled Person | 8,238 | 20,849 | 40% |
| Single Parent, One Child | 10,150 | 20,341 | 50% |
| Couple, Two Children | 12,151 | 53,141 | 23% |
| **QUEBEC** | | | |
| Single Employable | 6,316 | 23,253 | 27% |
| Disabled Person | 8,164 | 23,253 | 35% |
| Single Parent, One Child | 12,607 | 26,449 | 48% |
| Couple, Two Children | 16,251 | 57,324 | 28% |

**TABLE 4 (Continued)**

| | Welfare Income | Estimated Average Income | Welfare Income as % of Estimated Average Income |
|---|---|---|---|
| **ONTARIO** | | | |
| Single Employable | 8,527 | 29,243 | 29% |
| Disabled Person | 11,725 | 29,243 | 40% |
| Single Parent, One Child | 16,790 | 27,194 | 62% |
| Couple, Two Children | 22,334 | 67,491 | 33% |
| **MANITOBA** | | | |
| Single Employable | 7,236 | 20,200 | 36% |
| Disabled Person | 8,257 | 20,200 | 41% |
| Single Parent, One Child | 11,386 | 28,200 | 40% |
| Couple, Two Children | 19,410 | 56,535 | 34% |
| **SASKATCHEWAN** | | | |
| Single Employable | 5,956 | 22,334 | 27% |
| Disabled Person | 8,512 | 22,334 | 38% |
| Single Parent, One Child | 12,093 | 21,759 | 56% |
| Couple, Two Children | 17,382 | 53,385 | 33% |
| **ALBERTA** | | | |
| Single Employable | 5,608 | 24,695 | 23% |
| Disabled Person | 6,783 | 24,695 | 27% |
| Single Parent, One Child | 11,281 | 25,164 | 45% |
| Couple, Two Children | 18,122 | 60,207 | 30% |
| **BRITISH COLUMBIA** | | | |
| Single Employable | 6,639 | 25,135 | 26% |
| Disabled Person | 9,318 | 25,135 | 37% |
| Single Parent, One Child | 13,345 | 28,047 | 48% |
| Couple, Two Children | 17,374 | 63,042 | 28% |

## Provincial and Territorial Benefits Over Time

One of the major improvements in social programs during the last two decades was the introduction of indexation. Indexation is a way of guaranteeing by law that people get cost-of-living increases in their benefits on a regular basis. The most common form is annual raises that are linked to the Consumer Price Index of Statistics Canada. Increases in benefits are automatic and do not require any further legislative or administrative approval once an indexing system is in place.

Unfortunately, the federal government has done away with full indexation in many of its programs. Meanwhile, provinces and territories have generally refused to provide the benefits of indexation to poor people who are forced to fall back on welfare. People who receive benefits under Quebec's Financial Support Program were the only welfare recipients in Canada who had their benefits protected from inflation by law in 1993.

Table 5 shows that some welfare recipients have seen the value of their benefits decline over the years because of the lack of indexation. The figures for 1993 consist of benefits taken from Table 2 that are exclusively within provincial and territorial jurisdiction - in other words, total welfare incomes minus the federal child tax benefit and the GST credit. Comparable figures for other years were calculated from Welfare in Canada: The Tangled Safety Net and previous editions of Welfare Incomes.

Using the Consumer Price Index, all the dollar figures in Table 5 are expressed in constant 1993 dollars to factor out the effects of inflation and to show the real purchasing power of welfare and related benefits over time. The percentages in the last two columns show increases or decreases in real purchasing power.

The table provides comparisons of provincial and territorial benefits for 1986, 1989, 1990, 1991, 1992 and 1993 for the single employable person, the single-parent family and the two-parent family. The National Council of Welfare did not include a single person with a disability in its original calculations of welfare incomes for 1986, so the comparison for this group is limited to 1989 through 1993.

There are no figures for the Northwest Territories in Table 5 because the first estimates of welfare incomes were done for 1993.

Between 1991 and 1992, most welfare recipients saw their incomes and their purchasing power increase modestly. The picture changed markedly in 1993, however.

The table shows small increases between 1992 and 1993 for all four household types of welfare recipients in British Columbia and scattered increases for a few household types in other provinces. There were far more losses than gains, however, with the sharpest losses in Alberta and Manitoba.

The declines in Alberta were due largely to the provincial government's decision to reduce welfare rates as of October 1, 1993.

The losses in Manitoba were due to a combination of changes involving basic rates of assistance, provincial tax credits and provincial child-related benefits. The person with a disability and the single-parent family had received larger-than-normal tax credits in 1992 because of a change in the way the credits are paid. Their total incomes fell in 1993 largely because the new system was fully phased in. As of April 1, 1993, the couple with children receiving welfare from the City of Winnipeg lost a dollar of welfare for every dollar received from the Child Related Income Support Program (CRISP).

For the period from 1986 to 1993, there were major losses in Alberta and reasonably consistent gains in Quebec, Ontario and British Columbia.

The largest declines in welfare incomes over the period occurred in Alberta, but they were by no means consistent from one year to the next. There were losses in the years prior to 1991, significant increases in 1991 as a result of provincial welfare reform, and actual cuts in benefits as of late 1993. The single employable person saw a drop of 31.5 percent in welfare and other provincial benefits between 1986 and 1993, the single-parent family experienced a drop of 14.7 percent, and the couple with children was down 10.6 percent.

The most significant increase over the years occurred in Quebec in the rate for the single employable person. That came about as a result of reforms that raised welfare rates for single

employable people under 30 to the same level as rates for people 30 and over. In 1989 - prior to the reforms - the rate for single people under 30 had been $2,220 a year, while the rate for single people 30 and over was $6,084.

Overall, Table 5 shows a mix of gains and losses from one year to the next or from one category of recipient to another. No other program of income support is so erratic and so unpredictable over time. Clearly, the discretionary increases granted periodically by provincial and territorial cabinets are no substitute for annual cost-of-living increases guaranteed by law. And clearly, the federal government has contributed to the financial plight of welfare recipients by providing less than full indexation of the benefits that it provides directly.

## TABLE 5

## PROVINCIAL AND TERRITORIAL WELFARE BENEFITS IN 1993 CONSTANT DOLLARS

| | 1986 | 1989 | 1990 | 1991 | 1992 | 1993 | % Change 1992-1993 | % Change 1986-1993 |
|---|---|---|---|---|---|---|---|---|
| **NEWFOUNDLAND** | | | | | | | | |
| Single Employable | 4,419 | 4,263 | 4,237 | 4,169 | 4,378 | 4,326 | -1.2% | -2.1% |
| Disabled Person | | 8,587 | 8,497 | 8,235 | 8,422 | 8,310 | -1.3% | |
| Single Parent, One Child | 11,079 | 10,852 | 10,831 | 10,946 | 11,400 | 11,262 | -1.2% | 1.7% |
| Couple, Two Children | 12,816 | 12,554 | 12,525 | 12,115 | 12,337 | 12,186 | -1.2% | -4.9% |
| **PRINCE EDWARD ISLAND** | | | | | | | | |
| Single Employable | 8,207 | 7,942 | 7,904 | 7,896 | 8,014 | 7,956 | -0.7% | -3.1% |
| Disabled Person | | 9,242 | 9,148 | 9,012 | 9,125 | 9,048 | -0.8% | |
| Single Parent, One Child | 11,314 | 10,948 | 11,033 | 10,939 | 11,117 | 11,052 | -0.6% | -2.3% |
| Couple, Two Children | 16,579 | 16,307 | 16,304 | 16,389 | 16,596 | 16,471 | -0.8% | -0.7% |
| **NOVA SCOTIA** | | | | | | | | |
| Single Employable | 6,032 | 6,727 | 6,417 | 6,099 | 6,010 | 5,904 | -1.8% | -2.1% |
| Disabled Person | | 8,855 | 8,798 | 8,665 | 8,551 | 8,400 | -1.8% | |
| Single Parent, One Child | 10,446 | 10,763 | 10,683 | 10,549 | 10,555 | 10,368 | -1.8% | -0.7% |
| Couple, Two Children | 12,574 | 13,691 | 13,081 | 12,636 | 12,656 | 12,472 | -1.5% | -0.8% |
| **NEW BRUNSWICK** | | | | | | | | |
| Single Employable | 2,973 | 3,217 | 3,168 | 3,099 | 3,103 | 3,060 | -1.4% | 2.9% |
| Disabled Person | | 8,429 | 8,296 | 8,049 | 8,063 | 8,012 | -0.6% | |
| Single Parent, One Child | 8,930 | 8,722 | 8,584 | 8,388 | 8,453 | 8,480 | 0.3% | -5.0% |
| Couple, Two Children | 9,660 | 9,436 | 9,274 | 9,181 | 9,486 | 9,512 | 0.3% | -1.5% |

**TABLE 5 (Continued)**

| | 1986 | 1989 | 1990 | 1991 | 1992 | 1993 | % Change 1992-1993 | % Change 1986-1993 |
|---|---|---|---|---|---|---|---|---|
| **QUEBEC** | | | | | | | | |
| Single Employable | 3,130 | 4,021 | 5,705 | 6,070 | 6,102 | 6,120 | 0.3% | 95.6% |
| Disabled Person | | 7,229 | 7,497 | 7,855 | 7,947 | 7,944 | 0.0% | |
| Single Parent, One Child | 10,531 | 9,770 | 10,408 | 10,536 | 10,814 | 11,264 | 4.2% | 7.0% |
| Couple, Two Children | 13,611 | 12,759 | 12,482 | 13,077 | 13,285 | 13,680 | 3.0% | 0.5% |
| **ONTARIO** | | | | | | | | |
| Single Employable | 6,688 | 7,191 | 7,850 | 8,051 | 8,333 | 8,306 | -0.3% | 24.2% |
| Disabled Person | | 10,383 | 11,074 | 11,311 | 11,505 | 11,440 | -0.6% | |
| Single Parent, One Child | 11,979 | 12,905 | 14,459 | 14,806 | 15,084 | 15,061 | -0.2% | 25.7% |
| Couple, Two Children | 14,910 | 16,286 | 18,971 | 19,314 | 19,745 | 19,695 | -0.3% | 32.1% |
| **MANITOBA** | | | | | | | | |
| Single Employable | 6,636 | 6,886 | 6,974 | 6,886 | 7,030 | 7,040 | 0.1% | 6.1% |
| Disabled Person | | 7,487 | 7,388 | 7,262 | 8,934 | 8,046 | -9.9% | |
| Single Parent, One Child | 10,252 | 10,049 | 9,925 | 9,754 | 10,809 | 9,697 | -10.3% | -5.4% |
| Couple, Two Children | 15,533 | 16,309 | 17,542 | 17,539 | 18,060 | 16,771 | -7.1% | 8.0% |
| **SASKATCHEWAN** | | | | | | | | |
| Single Employable | 5,555 | 5,560 | 5,433 | 5,268 | 5,472 | 5,760 | 5.3% | 3.7% |
| Disabled Person | | 9,060 | 8,772 | 8,429 | 8,358 | 8,280 | -0.9% | |
| Single Parent, One Child | 11,398 | 11,356 | 11,030 | 10,612 | 10,497 | 10,381 | -1.1% | -8.9% |
| Couple, Two Children | 15,990 | 15,757 | 15,296 | 14,695 | 14,947 | 14,743 | -1.4% | -7.8% |

## TABLE 5 (Continued)

| | 1986 | 1989 | 1990 | 1991 | 1992 | 1993 | % Change 1992-1993 | % Change 1986-1993 |
|---|---|---|---|---|---|---|---|---|
| **ALBERTA** | | | | | | | | |
| Single Employable | 7,905 | 5,495 | 5,240 | 5,696 | 5,742 | 5,412 | -5.7% | -31.5% |
| Disabled Person | | 6,795 | 6,481 | 6,821 | 6,780 | 6,582 | -2.9% | |
| Single Parent, One Child | 11,574 | 10,303 | 9,826 | 10,306 | 10,286 | 9,876 | -4.0% | -14.7% |
| Couple, Two Children | 17,209 | 15,180 | 14,476 | 15,952 | 15,979 | 15,390 | -3.7% | -10.6% |
| **BRITISH COLUMBIA** | | | | | | | | |
| Single Employable | 5,646 | 6,196 | 6,332 | 6,229 | 6,422 | 6,443 | 0.3% | 14.1% |
| Disabled Person | | 8,550 | 8,841 | 8,634 | 9,015 | 9,077 | 0.7% | |
| Single Parent, One Child | 10,169 | 11,193 | 11,307 | 11,075 | 11,578 | 11,619 | 0.4% | 14.3% |
| Couple, Two Children | 13,889 | 13,980 | 14,072 | 13,740 | 14,648 | 14,735 | 0.6% | 6.1% |
| **YUKON** | | | | | | | | |
| Single Employable | 6,709 | 8,101 | 8,195 | 8,056 | 8,037 | 7,895 | -1.8% | 17.7% |
| Disabled Person | | 9,062 | 9,111 | 8,924 | 8,892 | 8,735 | -1.8% | |
| Single Parent, One Child | 12,049 | 13,389 | 13,467 | 13,346 | 13,348 | 13,112 | -1.8% | 8.8% |
| Couple, Two Children | 18,461 | 20,100 | 19,959 | 19,948 | 20,121 | 19,765 | -1.8% | 7.1% |

## Earnings Exemptions

The figures in the tables above do not take into account the fact that welfare incomes may be increased by personal earnings. Each province and territory allows welfare recipients to retain a certain amount - a flat-rate sum and/or a percentage of earnings - without any reduction in their welfare cheques. These extra amounts were not included in the tables because it is not certain that recipients would actually increase their incomes by these levels. They may be unable to work or unable to find jobs.

Allowable earnings exemptions in each province and territory are presented in Table 6. The exemptions vary by family size and sometimes by employability. All provinces recognize work-related expenses, including child care expenses in most cases. Welfare recipients are allowed to deduct all or some of these costs from their earnings. In effect, that means that the actual earnings exemptions in some provinces are more generous than they appear at first glance. They also provide a greater incentive for people to take paying jobs.

While provinces and territories are free to set their earnings exemption levels, they are expected to fall within federal parameters. Prior to October 1985, the federal government would not allow cost-sharing for provincial earnings exemptions which exceeded the following levels: for a single person, the greater of $95 or 25 percent of the amount of social assistance to which the person would be entitled if he or she had no income; for a family, the greater of $190 or 25 percent of social assistance plus the family allowance and the refundable child tax credit benefits to which the household would be entitled if it had no income.

In 1985, the federal government made special provision for cost-sharing in welfare programs with enhanced earnings exemptions. The initiative was part of the "four-corner agreements" involving the federal Ministers of Health and Welfare and Employment and Immigration and their respective provincial and territorial counterparts. The purpose of these agreements was to promote the participation of employable welfare recipients in the labour market.

Enhanced earnings exemptions are important because they provide a means for welfare recipients to improve (at least marginally) the quality of their lives. These exemptions also

encourage individuals to get experience in the labour market and to gain sufficient confidence to leave the welfare system.

On the other hand, there is always the danger that provinces and territories will opt for higher earnings exemptions as a substitute for increases in basic welfare rates. In our view, that would be an abuse of the system, because it would deny adequate levels of support to welfare recipients who failed to obtain some kind of paying job through no fault of their own.

**TABLE 6**

**MONTHLY EARNINGS EXEMPTIONS LEVELS AS OF JANUARY 1993**

| | Unemployable | Employable |
|---|---|---|
| Newfoundland[1] | For adults on social assistance for reasons other than unemployment (excluding disability), $30 + 50% of allowable income over $30 and up to $80 a month (maximum monthly exemption of $55)<br><br>For families on social assistance for reasons other than unemployment, $30 + 50% of allowable income over $30 a month and up to $200 a month (maximum monthly exemption of $115)<br><br>For a disabled adult, up to $95 a month<br><br>For a family with disabled member(s), up to $190 a month | For adults who are unemployed, 50% of allowable income up to $80 a month (maximum monthly exemption of $40)<br><br>For unemployed families, 50% of allowable income up to $200 a month (maximum monthly exemption of $100) |
| Prince Edward Island[2] | $50 for a single person or $100 for a family plus 10% of the balance of net wages for both households | Same |
| Nova Scotia[3] | For single persons, $100 + 25% of gross earnings or vocational training allowances<br><br>For families, $200 + 25% of gross earnings or vocational training allowances<br><br>For people with disabilities who are in training programs, $275 + 25% of vocational training allowances | $50 single person[4]<br><br>$100 family[4] |

**TABLE 6 (Continued)**

| | Unemployable | Employable |
|---|---|---|
| New Brunswick | $150 single person<br>$200 family | $150 single person<br>$200 family<br>Where a recipient has been designated as having high employment potential, exemptions are increased for one person by an additional monthly amount of $250 for two months. Exemptions for a family are increased by an additional monthly amount of $200 for two months and $100 for the third month. Two-parent employable families are eligible for the $200 exemption for six months with allowable extensions. |
| Quebec[5] | $100 single person or family | $164 single person[6]<br>$82 single parent[6]<br>$199 two-parent family[6] |
| Ontario[7,8] | $160 + 25% over $160 of net earnings for a single disabled person[9]<br>$185 + 25% over $185 of net earnings for a disabled family[9]<br>$175 + 25% over $175 of net earnings for a single-parent family | $75 + 25% over $75 of net earnings for a single person<br>$150 + 25% over $150 of net earnings for a two-parent family<br>$175 + 25% over $175 of net earnings for a single-parent family |

**TABLE 6 (Continued)**

| | Unemployable | Employable |
|---|---|---|
| Manitoba | The greater of $50 a month of net earnings, 70 cents for each hour worked or 30% of gross monthly earnings.<br><br>For newly enrolled applicants, students and self-employed persons, $50 a month up to $600 a year | $130 a month; $240 for those enrolled in Wage Supplementation Program[10] |
| Saskatchewan[11,12] | First $100 of monthly earned income + 20% of excess (maximum exemption $150) for a single disabled person<br><br>First $125 of monthly earned income + 20% of excess (maximum exemption $225) for a two-person family classified as disabled | First $25 of monthly earned income + 20% of excess (maximum exemption $75) for a single person considered non-disabled<br><br>First $50 of monthly earned income + 20% of excess (maximum exemption of $150) for a two-person family considered non-disabled |
| Alberta | 100% of earnings up to $115; 50% of earnings between $116-200; 25% of earnings between $201-$300; 10% exemption on earnings over $300[13] | Same |
| British Columbia[14] | $100 a month<br><br>$200 a month for recipients with dependents<br><br>$200 a month for recipients of Handicapped Benefits (Recipients may choose to be classified as employable if they would benefit from the enhanced earnings exemption.) | $100 for single person and $200 for recipients with dependents (Employable recipients are eligible for an additional exemption of 25% of net earnings over these flat-rate amounts.)[15,16] |
| Northwest Territories | $50 (no dependents)<br><br>$100 (dependents) | Same |

**TABLE 6 (Continued)**

| | Unemployable | Employable |
|---|---|---|
| Yukon | No exemption on net income from full-time employment (more than 20 hours a week); earnings exemption on part-time employment is the greater of 50% of net earnings but not exceeding 25% of the total of items of basic requirements necessary to maintain an applicant and dependents or $5 a month for a single person, $10 a month for a family of two and $15 a month for a family of three or more[17]<br><br>For permanent exclusions from the labour market, $25 for a single person; $50 for a married couple from sale of handicrafts or hobby materials | Same |

## NOTES TO TABLE 6

1. Newfoundland allows the deduction from earnings of babysitting or day care costs up to a maximum of $260 a month if necessary for employment. The same exemptions apply to applicants for welfare.

2. The earnings exemptions for welfare recipients also apply to applicants for welfare. A maximum exemption of $50 a month may be allowed against income that is derived on an irregular basis and is considered non-insurable under the Unemployment Insurance Act.

3. There is a total exemption of earned income for the first month of full-time employment. Training allowances for full-time participants are also exempt during the first month.

4. These are the earnings exemptions for the City of Halifax.

5. The exemption for unemployable persons was calculated under the Financial Support Program. The exemption for single parents was calculated under the "not available" category of the Work and Employment Incentives Program, and the exemptions for single persons and two-parent families were calculated under the "not participating" category of the program. People who have received welfare benefits from either program for three consecutive months and then find a job or enter a training program can have all earnings or training allowances exempted for one month. This enhanced benefit can be claimed only once in any six-month period.

6. The earnings exemptions changed in October 1993 when the rates of assistance provided under the Work and Employment Incentives Program were modified. As of October 1, 1993, the monthly maximum earnings exemptions for a single person, a single-parent family with one child and a two-parent family with two children were $174, $60 and $212 respectively.

7. These earnings exemptions are part of the Supports To Employment Program (STEP), a series of measures designed to encourage participation in the paid labour force. Ontario allows deductions for child care expenses up to the actual amount for <u>licensed</u> care and up to $390 a month for children under six and $346 for children six through 12 for <u>unlicensed</u> care. As of August 1992, the basic and supplementary exemptions are no longer allowable for the purpose of determining eligibility for welfare for the first three months of assistance; they apply only from the fourth month of assistance.

8. Effective August 1993, the flat-rate components of the earnings exemptions were changed. Under provincial Family Benefits, the flat-rate exemption of $175 a month for single parents was reduced to $120. The rates for single persons and other families were unchanged. Under municipal General Welfare Assistance, the flat-rate components for single people, two-parent families and single parents were reduced to $50, $100 and $120, respectively.

9. Persons with disabilities eligible for GAINS-D (Guaranteed Annual Income for the Disabled) are entitled to an additional deduction of up to $140 a month for work expenses related to their disabilities.

10. The City of Winnipeg earnings exemptions changed on May 1, 1993, to $95 a person to a maximum of $130 a month for a household of two or more persons.

11. The earnings exemptions indicated here apply to fully employable individuals only after they have been in receipt of assistance for at least the preceding three consecutive months. Recipients in the "disabled" or "not fully employable" categories are entitled to the earnings exemption from the time they receive income from employment.

12. Earnings exemption levels vary by family size. Only one-person and two-person households are indicated here.

13. In October 1993, the exemption changed to $115 a month plus 25 percent of earnings in excess of $115. Persons who qualify for the Assured Income for the Severely Handicapped (AISH) program have higher earnings exemptions. Single persons get an exemption of $165 a month plus 25 percent of additional earnings.

14. The figures indicated here are exemptions on earnings. There is also a set of exemptions that apply to other forms of income such as maintenance payments and training allowances.

15. The flat-rate exemption on net earned income is applied only after people have received full or partial benefits for more than three consecutive months.

16. The enhanced exemption of 25 percent may be claimed for 12 months during a three-year period, with the possibility of a six-month extension. However, disabled persons are eligible indefinitely for the enhanced exemption.

17. In lieu of an earnings exemption, full-time workers get additional payments of $50 a month: $25 for clothing and $25 for transportation.

## Conclusion

The income provided by most provincial and territorial welfare programs is grossly inadequate for the vast majority of recipients. Most welfare incomes are far below the poverty line. Although welfare recipients are among the poorest of the poor in our society, they rarely get any guaranteed protection from increases in the cost of living. Between 1986 and 1993, some recipients actually became poorer.

Welfare is a degrading experience for the vast majority of recipients. Applicants have to exhaust almost all their liquid assets to qualify for help. Welfare entitlements are determined by a labyrinth of rules and regulations that may or may not make sense. "Need" is as much a dictate of governments as it is a reflection of the cost of the necessities of life. The huge amount of discretion in the system makes it almost impossible to know whether people are being treated fairly.

The National Council of Welfare acknowledges that modest improvements have been made in some provincial and territorial welfare programs since the publication of Welfare in Canada: The Tangled Safety Net in 1987. However, the only guarantee that welfare offers consistently is poverty.

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The National Council of Welfare was established by the Government Organization Act, 1969, as a citizens' advisory body to the federal government. It advises the Minister of Human Resources Development on matters of concern to low-income Canadians.

The Council consists of 21 members, drawn from across Canada and appointed by the Governor-in-Council. All are private citizens and serve in their personal capacities rather than as representatives of organizations or agencies. The membership of the Council has included past and present welfare recipients, public housing tenants and other low-income people, as well as educators, social workers and people involved in voluntary or charitable organizations.

Reports by the National Council of Welfare deal with a wide range of issues on poverty and social policy in Canada, including: income security programs, welfare reform, medicare, poverty lines and poverty statistics, the retirement income system, taxation, labour market issues, social services and legal aid.

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